# Vol. II

## TRANSCRIPT OF RECORD

## Supreme Court of the United States

OCTOBER TERM, 1928 29

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## No. 792 55

THE UNITED RAILWAYS AND ELECTRIC COMPANY OF BALTIMORE, APPELLANT,

*vs.*

HAROLD E. WEST, CHAIRMAN, AND J. FRANK HARPER AND STEUART PURCELL, MEMBERS, CONSTITUTING THE PUBLIC SERVICE COMMISSION OF MARYLAND

FILED MARCH 27, 1929

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## No. 826 64

HAROLD E. WEST, CHAIRMAN, AND J. FRANK HARPER AND STEUART PURCELL, MEMBERS, CONSTITUTING THE PUBLIC SERVICE COMMISSION OF MARYLAND, APPELLANTS,

*vs.*

THE UNITED RAILWAYS AND ELECTRIC COMPANY OF BALTIMORE

FILED APRIL 10, 1929

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APPEALS FROM THE COURT OF APPEALS OF THE STATE OF MARYLAND

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**(34,101, 34,135)**

# (33,773, 33,774)

## SUPREME COURT OF THE UNITED STATES

**OCTOBER TERM, 1928.**

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## No. 464

THE UNITED RAILWAYS AND ELECTRIC COMPANY OF BALTIMORE, APPELLANT,

*vs.*

HAROLD E. WEST, CHAIRMAN, AND J. FRANK HARPER AND STEUART PURCELL, MEMBERS, CONSTITUTING THE PUBLIC SERVICE COMMISSION OF MARYLAND.

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## No. 465

HAROLD E. WEST, CHAIRMAN, AND J. FRANK HARPER AND STEUART PURCELL, MEMBERS, CONSTITUTING THE PUBLIC SERVICE COMMISSION OF MARYLAND, APPELLANTS,

*vs.*

THE UNITED RAILWAYS AND ELECTRIC COMPANY OF BALTIMORE.

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**APPEALS FROM THE COURT OF APPEALS OF THE STATE OF MARYLAND**

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# VOLUME II

# TRANSCRIPT OF RECORD

FROM THE

CIRCUIT COURT NO. 2 OF BALTIMORE CITY

IN THE CASE OF

THE UNITED RAILWAYS AND ELECTRIC COMPANY OF BALTIMORE

VS.

HAROLD E. WEST ET AL.,

TO THE

COURT OF APPEALS OF MARYLAND.

---

THOMAS J. TINGLEY,
RAYMOND S. WILLIAMS,
For Appellants.

HENRY H. WATERS,
VENABLE, BAETJER & HOWARD,
HAMAN, COOK, CHESNUT & MARKELL,
JOS. C. FRANCE,
For Appellee.

(11)

## THE FOLLOWING PORTIONS OF THE STENOGRAPHIC TRANSCRIPT OF PROCEEDINGS BEFORE THE PUBLIC SERVICE COMMISSION.

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### FIRST DAY.

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(The Chairman) This is Case No. 2648, application of the United Railways and Electric Company of Baltimore for the establishment of a permanent rate of fare of ten cents and for the establishment of a temporary emergency rate of fare pending the establishment of such permanent rate of fare.

The application of the Company is sort of a double-barrelled one and it sets forth, among other things:

* * * "Your Petitioner, therefore, now files this petition asking your Honorable Commission to establish a flat fare of ten cents cash for the conveyance of each passenger over twelve years of age, with half fares at five cents each for children between the ages of four and twelve years, school tickets at five cent each, and commutation tickets at special rates. Your Petitioner also asks your Honorable Commission to put into effect at once substantially increased fares in order that pending such establishment of such permanent rates of fare, your Petitioner may be able to provide adequate service and meet its obligations. * * *

That calls for two hearings, one on the needs for a temporary or emergency rate of fare and the other for a flat fare of ten cents. The Commission has decided that at this hearing only the matter of the emergency will be taken up. It will be the company's place to show that such an emergency exists as would warrant the Commission in increasing the fare without such an investigation as it would make in the establishment of a permanent rate of fare. It will be the duty of the People's Counsel and those opposing the Company's position to show that such an emergency does not exist.

We don't think that that ought to take a great deal of time. When that matter is before the Commission the Commission will take the matter under advisement and decide whether a situation exists in the affairs of the Company of sufficient gravity to warrant it making an increase in fare pending a determination of the main inquiry in the case. When we decide the matter the Commission will at that time set a date for a hearing on the main proposition.

We think that is the simplest and best way to handle the situation. We know of course from the papers and from the Petition and letters that have been pouring into the Commission that the application for an increased fare is very strongly opposed. However, we do not think that this will be the time to get into the merits or demerits of a ten cent fare. The question now before the Commission is purely that of the emergency that now faces the Company.

## SECOND DAY.

(Mr. Howard) If the Commision please, we wish to first offer in evidence the record in the previous Rate Cases of the United and the Valuation Case. They are, I believe, cases 1568, 1583, 1682 and the Valuation Case No. 533.

Thereupon:

### C. D. EMMONS,

a witness of lawful age, produced on behalf of the Applicant, having first been duly sworn, according to law, was examined and testified as follows:

### DIRECT EXAMINATION.

By Mr. Howard:

Q. Mr. Emmons, you are the President of the United Railways and Electric Company of Baltimore? A. Yes, sir.

Q. Since when have you been its President? A. August, 1919. August 1, 1919.

Q. And will you tell the Commission briefly, what your street railways experience has been previous to that? A. I began in the street railway business I believe in college in 1892. I was nine years with the Pennsylvania R. R. and since that time, 1901, I have been in the electric railway business, starting in Lafayette, Ind.

(Mr. Tingley) If I might interrupt, Mr. Emmons' qualifications are of course, admitted.

(Mr. Howard) I think as he is the principal witness in the case, a brief statement of what his qualifications are would help.

(The Witness) (Continuing) As General Superintendent of the Lafayette Street Railways, going from there to Fort Wayne, Ind., as General Manager of the Fort Wayne and Wabash Valley Traction Company, go-

ing from there to South Bend, as Vice President and General Manager of the Chicago South Bend and Northern Indiana and also the Southern Michigan Railway. From there to Framingham as Vice President and General Manager of the Boston President and General Manager of the Boston and Worcester Street Railways, from there to Boston as General Manager of the Boston Elevated, and from Boston here as Preident of the United Railways.

I haven't given the period there, if you wish, tho, I can give them.

Q. Now, Mr. Emmons, I am going to get you to file and explain certain exhibits, which have already been filed with the Secretary and which other parties interested have been furnished copies, but I am not going to ask you for them in the same order that they were tentatively numbered when they were given to the Secretary. I want to take them up under the headings that they relate to, and have you first of all an exhibit which was tentatively numbered 3, and an exhibit No. 3A, bringing that same exhibit to a later date.

(Mr. Tingley) Could you give us the titles of those exhibits?

(Mr. Howard) Yes, that is "Decrease in Passenger Revenue."

NOTE: Blue print above referred to is here filed in evidence and marked Applicant's Ex. No. 1.

(Mr. Howard) With the Commission's permission, in each case where we have brought these exhibits up to date, I see no reason why I should offer the exhibit that is one month short and we will offer the latest one in each case.

Q. (By Mr. Howard) Now Mr. Emmons, referring to that Ex. No. 1 will you briefly explain to the Commission what it is and what it shows? A. Exhibit No. 1 shows the decrease in passenger revenue for the first eight months of 1927, compared with the first eight months of 1926, and also at the bottom a comparison of the past four months, May, June, July and August, August being approximately correct, very closely to being correct.

On January it shows a gross earnings in 1927 of $1,387,103.00 against 1926 January of $1,386,691.00 or an increase of $412.00.

Q. Approximately the same? A. Approximately the same. .03 of 1% increase. That is the only increase shown in the tabulation.

In February we began making decreases, and in February without reading the figures of 1927 and '26, we show a decrease of $23,334.00 or 1.83%.

In March we show a decrease of $39,959.00 or 2.77%. In April we show a decrease of $22,827.00 or 1.63%. In May a decrease of $60,590.00 or 4.2%. In June a decrease of $47,554.00 or 3.49%. In July 2 decrease of $59,669.00 or 4.55%. A total for the first seven months of $253,521.00 less than the first seven months of 1926, or 2.63%.

Q. Average? A. Average for the first seven months. August is separate because it is to some extent approximately.

Q. You have your August figures in the main? A. Yes, it's very close.

Q. Is the approximation necessarily a close one, or is it a guess? A. It's a very close one. We show a decrease in the month of August of $49,808.00 or 3.13% or an average for the first eight months, including that of $293,329.00 or 2.69%.

In taking the last four months in order to show the trend of the present day May, June, July and August it shows a total decrease of those four months of $207,621.00 or 3.85%.

July and August taken together show a decrease of 3.85%.

Q. Just in that connection the remark was made, I think yesterday, that July was not a fair month for comparison because July last year had five Sundays in it. How about August? A. August had four Saturdays and four Sundays this year. July had five Saturdays and five Sundays last year. The months do sometimes show one additional Saturday or one additional Sunday, but in

putting the two months together it then makes nine Saturdays and nine Sundays in the two months. That's the reason we thought by putting two months together it wiped out the question of five Saturdays or five Sundays in one month.

Q. In the first part of your answer you said July showed five Sundays last year? A. No, I meant July showed five Sundays this year.

Q. So if you take July and August together, the fact that one month had one more Sunday in it is exactly offset, isn't it? A. Offset, yes.

Q. Now, that is a statement in terms of passenger revenue, isn't it? A. Yes, sir.

Q. Will you refer to a statement that was tentatively numbered No. 8, and the corrected one brought up to date is No. 8A which I believe gives figures in terms of revenue passengers?

(Commissioner Harper) Mr. Howard, do you propose to offer an exhibit making the same comparison applied to the corresponding months of 1925?

(Mr. Howard) We have not figured that out. Although it could very readily be done.

(The Witness) Senator I have and I expected later to refer to them the monthly comparisons clear back to 1920.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 2.

Q. Now, this exhibit which has been filed with the stenographer is entitled "Comparative Statement of Revenue Passengers," and then at the head of the columns compared with the next preceding year. Will you explain to the Commission what that table is and what it shows? A. The table shows that in the year 1920 we had 253,934,179 revenue passengers. In 1921 we dropped to 238,090,980 revenue passengers, a decrease in number of revenue passengers of 15,843,199, or 6.24%.

In 1922 we dropped further to 233,732,146 a further decrease of 4,358,834 or 1.83%.

In 1923 we increased a little bit to 238,658,380 or an increase of 4,926,234 or 2.11%.

In 1924 we fell back to 228,423,774 a decrease of 10,234,606 or 4.29%.

In 1925 we further fell to 224,235,527 or 4,188,247 less or 1.83%.

In 1926 we gained a little, 1,020,106 or .45%, showing a net decrease in that period, however, of 28,678,546 revenue passengers or 11.29%.

Beginning the first of the year the revenue passengers in January compared with revenue passengers of January the year previous showed 19,012,646 or an increase of 60,324 or .32%.

Since that time we have been gradually losing. In February we show 17,177,034 or a decrease of 281,759 or 1.61%.

In March 19,264,995 a decrease of 495,445 or 2.51%.

In April the revenue passengers were 18,925,630, a decrease of 267,664 or 1.39%.

In May the revenue passengers were 19,001,550, a decrease of 777,440 or 3.93%.

In June the revenue passengers were 17,969,391, a decrease of 602,024 or 3.24%.

In July the revenue passengers were 17,100,120, a decrease of 749,810 or 4.20%, making a total for the first seven months of revenue passengers 128,451,366, a total decrease of 3,113,818, or 2.37%.

August figures show approximately 16,805,394 a decrease of 499,951 or 2.89%, with a total for the eight months of 145,256,760 a total decrease 3,613,769 or 2.43%.

(Commissioner Harper) Mr. Emmons, why is the percentage of decreases of revenue passengers less than the percentage of decrease of passenger revenue?

(The Witness) Because the revenue passengers, as brought out this morning, has been decreasing largely in the higher rates of fare. I think that's very easily ex-

plained, because the automobile rider, which I think is our real cause of trouble, the one that are the owners of the automobile, the heads of the families were the ones that were paying the higher fares. The school children and half-fare children have not decreased. The commutation rides have increased materially, and that is largely due to the Sparrows Point activity. I think that is the explanation. You would have to have a relative decrease in all the different classifications to make those two percentages come the same.

Q. I was going to ask you to explain why the exhibit No. 1, which is a statement of passenger revenue, and exhibit No. 2 which is a statement of revenue passengers why they didn't precisely agree in their proportions or ratios? A. I think I have explained it.

Q. If I understand you, the first one is a statement of your revenue from passengers. The second is a per capita statement of passengers to date? A. Right.

Q. It would include passengers who paid an eight-cent cash fare, it would include passengers who use tokens, it would include school children and it would include commutation tickets? A. And half-fare also.

(Commissioner Harper) I notice that there is a decrease of over four million in 1925 compared to '24. Isn't that largely explained by the fact the zones were extended and that where a passenger at one time counted two passengers, he then only counted one?

(Mr. Howard) We have a special exhibit of all zone extensions.

(The Witness) But the answer is yes to the Senator. That is also true somewhat to the 1921 and 1922 figures, because there were some zone extensions in there, Senator.

Q. Now, when in this exhibit No. 2 do you speak of August as being approximate, I will ask you the same question I did with reference to the other exhibits. Is this based on facts that have already happened or is it an estimate as to the future? A. Those are facts that already happened, subject to some small adjustments made at the end of the month.

Q. So the approximation is a close one? A. Very close, yes.

Q. Would you now refer to two exhibits that were tentatively numbered I think 15 and 16? Now, the first of those is entitled "Preliminary Results August 1927 compared with August 1926." Is it not? A. Yes.

(Mr. Howard) And I now file that with the stenographer to be marked Exhibit No. 3.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 3.

Q. That appears to be a day by day comparison, is that right? A. Yes, sir.

Q. Will you explain without repeating the figures in it, except where you may think it necessary to explain to the Commission what it is and what it shows? A. This is an order to show the trend of the day by day comparison, eliminating a Sunday-Monday comparison that started off the first of the month, which rather threw the relative trend comparison out.

Q. It's arranged by weeks then, isn't it? A. By weeks, yes. For instance August first this year was on Monday, with gross receipts of approximately $42,000.00. August 1st last year was Sunday with gross receipts of approximately $28,000.00, so there is a $14,000.00 apparent increase in the first day of the month, which does not show the trend, therefore this was gotten out showing a Monday-Monday comparison and following through to Wednesday-Wednesday including September 1st as the corresponding Wednesday.

It shows in this comparison a total of receipts, comparing those four weeks and three days, of $1,233,718.00 in 1927 as compared to $1,289,603.00 in 1926, or a decrease of $55,885.00 or 4.33% which we feel shows the trend of the present time much more closely than a month average or a two months average.

Q. Just in that connection, Mr. Emmons, was your August, 1926, for the time being, a good or a poor month? A. It was the poorest August we ever had, and the 1927 is by far much worse. It's the poorest August we have had since any rate increase has been granted.

Q. And this table then shows that comparing the corresponding days of the week this wear with the same period and same days in the calendar last year that you get on average less in receipts of 4.33% for the same period last year? A. Yes. Referring to the question of August, this August is going to show about $170,000.00 less than August, 1920. It's the poorest August we have ever had.

(Commissioner Harper) I assume the letter "C" means clear and "CL" means cloudy.

(The Witness) Right, and "R" is rain, "PC" is partly cloudy. We have the weather conditions on there because weather conditions will sometimes show immediately why there was a gain this year. For instance, the largest increase was on Wednesday, the 17th, which was a terrifically bad day last year, with a temperature of 74 to 68 as against clear weather this year of 87-66, so that would explain the reason that day went off the trend.

(Mr. Tingley) It was cloudy this year, wasn't it?

(The Witness) Cloudy is right. Both morning and afternoon.

Q. Just in this connection while you are on this table, I might ask you about one phenomonon that it shows. Here are your Sundays now? A. Sundays as well as holidays are running materially back of Sundays and holidays of years ago.

Q. That is shown by this table isn't it? A. By comparison it shows here, but the fact is that it shows all the way through, and if you go back further the difference is very much more accentuated.

Q. Years ago how was Sunday in the street railway business? A. Years ago Saturdays, Sundays and holidays used to be big days before the days of the autobile.

Q. Now, would you file with the stenographer as Exhibit No. 4 the other one of these exhibits I asked you to get out, which was formerly No. 16?

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 4.

Q. Now, that appears to be a summation of the two months of July and August of this year and last year compared with each other, isn't it? A. Yes, sir.

Q. Explain what that shows? A. That was for the same reason we did on another sheet, to average the question of Saturday and Sundays so we would get in the two months an equal number of Saturdays and an equal number of Sundays.

Q. When you add July and August together that's true, isn't it? A. Yes. It puts nine Saturdays and nine Sundays in there. It shows that for the two months in 1927 the passenger revenue receipts were $2,489,445.00 and in 1926 $2,589,385.00, a decrease in the two months $99,940.00 or 3.86%.

Q. Explain what the two notes at the foot of the table means. The first says, "Adjusted Figures?" A. Adjusted figures in July mean that after they go through the report there are various adjustments necessary for cash fares and fare tokens and school tickets after the check is made all the way through. The adjustment doesn't amount to very much, but we wanted to show that this was a figure that does not agree with the preliminary figure put out.

Q. And under August the note says, "Preliminary Figures?" A. That's the same reason, because that preliminary figure had to be adjusted to a small extent.

Q. But that adjustment is a very small one? A. Yes, and wouldn't change the result very materially.

Q. Now Senator Harper asked a moment ago if you could indicate some comparison with another previous year than 1926. There was an exhibit tentatively numbered No. 17 that shows a comparison of that nature, I believe. Will you file that with the stenographer so it can be marked Exhibit No. 5?

NOTE: Statement above referred to is here filed in evidence and marked applicant's Exhibit No. 5.

Q. Now that is an exhibit in the form of a chart or

draft that has apparently four different lines or curves on it, hasn't it? A. Yes, sir.

Q. Explain first what the red line with white dots is? A. The red line with red dots are the net incomes for the various months of the present year with August estimated.

Q. As to August being estimated, the same thing that I have said is true; that is not an estimate of the future? A. That is not an estimate of the future as to earnings. It is as close as we can get without our books being closed for the month as to net.

Q. The red line then shows the trend during that period of your net income? A. Yes, sir.

Q. Is shows rather the trend of your net income for 1927 through each of the months that have so far run, doesn't it? A. Yes, sir.

Q. Now the other lines are put there for purposes of comparisons, aren't they? A. Yes.

Q. And what is the yellow line? A. The yellow line is the average of all the high nets and the low nets, not the average of the high and low, its the average of all the nets of the year shown on this chart. The top line is all of the highest nets of the various years 1920 to 26 taken out and plotted to show that upper curve. All of the lowest nets for the same years were taken out to show the lower curve.

Q. Then let me see if I have the idea correctly. As I understand the red line shows the fluctuation of your net income over the year 1927 so far as that year has already elapsed? A. Correct.

Q. And this yellow line shows the average rate at which your net income varied through the twelve months of the year averaging seven years past? A. 1920 to 26, yes, sir.

Q. And the other two fainter white lines are the highest for those seven years and the lowest for those seven years? A. That's correct, yes, sir.

Q. Let me get that plain, that curve that is marked low. Have you picked out the lowest of the seven years

in giving the curve for that or is the curve the lowest for each of those years? A. It's the lowest for each month for each of those years.

Q. So it's the lowest yet experienced in any of those seven years? A. Yes, sir.

Q. And the yellow one is the average trend? A. Yes.

(Commissioner Harper) One of those lines may represent months in different years.

(The Witness) Yes.

(Mr. Markell) They do. The high and low.

(Mr. Howard) The yellow is the average for the seven years. The high is the highest peak out and the low is lowest peak out and the red line is this year's experience.

Q. (By Mr. Howard) Now Mr. Emmons I want to file some of the exhibits which show your receipts and so on for some years past. Will you refer to an exhibit that was tentatively numbered 2, and that gave receipts, etc., for 1920 to 1926 inclusive. There are three sheets to this exhibit.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 6.

Q. In the case of this exhibit Mr. Emmons, in bringing the exhibit that was filed with the Secretary of the Commission sometime ago up to date, you have adopted the method of adding a supplement to it, instead of restating the whole exhibit, haven't you? A. Yes, sir,

Q. So the complete exhibit now filed consists of three sheets, the first is marked Sheet A, and the second is Sheet B, and the third is a supplement to those first two sheets. Now will you explain without going over any figures, except those that you may think necessary for such explanation will you explain to the Commission what this Exhibit shows? A. This exhibit shows rather in concise form the results of all operations for the years 1920 to 26 inclusive, showing the operating income accounts for the various years, the various operating expense accounts and the gross income, ending with the gross income, and the gross income for the various years shown;

$4,264,077.07 for the year 1920; $3,944,961.05 for the year 1921; $4,109,203.73 for the year 1922; $4,199,089.77 for the year 1923; $4,303,230.98 for the year 1924; $4,332,-837.74 for the year 1925; $4,392,156.69 for the year 1926.

For these gross incomes have been added or deducted various adjustments in order to obtain as nearly as we can the gross income received that would be the correct amount to figure in case of figuring a fair return, the result being for $1920 $4,250,777.36; for 1921 $3,803,322.46; for 1922 $4,012,243.81; for 1923 $4,195,130.24; for 1924 $4,437,668.40; for 1925 $4,149,744.20, and for 1926 $4,307,-397.59.

Q. Now I will ask you at that point to skip for a moment to sheet No. 2 and explain what it is and what it shows. A. Sheet No. 2 shows the amount that should be used as the valuaton as of January 1, 1920 to 26, inclusive, based on $70,000,000.00 the valuation given except easements as of January 1, 1924, adding or subtracting for the various years as our road and equipment account increased or decreased.

Q. In other words, it does two things; it brings your valuation up to the middle of 1926 on the one hand, is that right? A.| Up to January 1, 1926.

Q. And then for purposes of comparison of this table it carries it back to 1920? A. January 1, 1920.

Q. And below is the proof and reconciliation of it? Now those are the figures that have been used in arriving at revenue to Sheet A, the results at the foot of the sheet? A. Yes, sir.

Q. Now will you turn to the supplemental sheet that has been added to these two sheets since they were first given to the Secretary of the Commission and tell what the occasion for that is? A. The occasion for that is the question whether or not these adjustments should be made in the year in which adjustments were made or the year to which they apply, the first sheet showing adjustments as being made in the year in which the adjustments were found out and made, and the latest sheet throwing them back in the years to which they apply. That is the reason on the first sheet there are not adjustments shown in 1920

and 21 in the addition column and only adjustment shown in the deduction column. The result is practically the same, Mr. Howard.

Q. Will you now produce an exhibit which was heretofore filed with the Secretary of the Commission tentatively numbered 4, but which I believe has now been brought up to date by the additional experience reported by the month of August that has elapsed.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 7.

Q. Now this exhibit consists of two sheets numbered Sheet A and Sheet B, doesn't it? A. Yes, sir.

Q. Now this exhibit is to some extent an estimate of the future, isn't it? A. Yes, for the last five months.

Q. For the last four months, isn't it? But on those months August is estimated only in the sense you have already mentioned? A. As to expense only.

Q. Now will you explain to the Commission what basis this table is constructed on? A. This table is an effort to show what our net will be at the end of the year, and its constructed on the actual results for the first seven months of 1927, giving actually the passenger revenue and other revenue, the actual operating expense and depreciation reserve set up, but 5% of the revenue, the non-operating revenue with deductions and ending with the net income for the first seven months of $383,850.00.

The last five months are estimated on the basis of a 4% reduction in passenger revenue and a 2% reduction in expenses. That is in addition to absorbing the 2% wages given to the men. That then has added to it and an additional item of power cost of $120,000.00, which is in addition to the amount it has been setting up, because of the fact that until a few weeks ago we had not yet received from the Gas Company the figures that will be used possibly for the rest of the year. We had to come into the year using the last year's figures. So that requires $120,000.00 additional.

For Accident Reserve, because of the fact that we have been running off at the rate of about $10,000.00 a month,

or $70,000.00 for the first seven months in our Accident Reserve account. Putting those two items in it raises the cost of operating expenses to a total of $10,042,461.00, to which then is added a depreciation of 5% on the estimated passenger revenue.

Q. That's the basis your depreciation has been figured on, isn't it? A. For years past under instructions by the Commission. This depreciation item amounts to $809,-564.00 for the year, making total operating expenses and depreciation $10,852,025.00 the net operating revenue being $5,339,274.00, from which deductions of taxes are made, and giving an operating income of $3,763,000.00 plus non-operating income of $171,000.00, making a gross income of $3,934,000.00, deductions for interest charges and so on being made, leaving a net income of $489,000.00.

Q. Now that as I understand is of course figured on the basis of supposition that there is no change in your fare rates for the balance of the year? A. Yes.

Q. The next the last column of that table, what does that figure out? A. The last column is figuring out what would be the result if we had a ten cent adult fare, raising the half fare from four to five cents, retaining the five-cent school ticket with commutation tickets unchanged.

Q. Taking it when? A. Taking it as of September 15th. Also giving an additional possible 2% loss in the adult and half fare passengers due to the increases in these rates of fare, the result being a net income of $1,-486,000.00. We have used the same operating expenses of $10,042,461.00, and we have added to that $76,000.00 which carries out our promise to our men that if we were in a position to increase their wages we would do it. That gives a total operating expense of $10,118,500.00, with the result after making the deductions, giving a result of net income of $1,486,000.00 for the balance of the year.

Q. Those two foot notes at the bottom give the explanation that you have given verbally, don't they? A. Yes, sir.

Q. Now Sheet B, the second half of this exhibit, is that merely a detail of the process by which the figures on the first sheet are arrived at? A. Yes, that's an explanation of how they are arrived at?

Q. And there is nothing in that that you see that calls for explanation unless you are asked about it in Cross-Examination? A. That's all, yes sir. That upper left-hand corner shows the reason—Senator Harper asked the question whether passenger revenues and revenue passengers did not show the same amount of decrease; that our decrease is in the adult riders and I feel they are the ones, that because of that is due to the automobile.

Q. Now the exhibit which was heretofore tentatively numbered 5, and which will now be numbered 8, having been brought up to date, 1927, by using the additional months that have elapsed.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 8.

Q. That apparently is a comparison of your net income for the three past three years and for the current year with an estimate that the Commission made in its opinion in the 1924 case, isn't it? A. It is.

Q. What does that show? Does it come up to the estimate or come below it? A. It has fallen below the estimate every year. The estimate of the Commission in 1924 was that we should have $1,182,142.00 as the net income. The net income for 1924 was $967,968.00, or $214,174.00 less than the Commission's estimate.

In 1925 the net income was $980,610.00, or $201,532.00 less than the Commission's estimate.

In 1926 the net income was $1,010,054.00, or $172,088.00 less than the Commission's estimate, and the estimated amount for 1927 is $489,000.00, or $693,142.00 less than the Commission's estimate, or making a total for these four years of $1,280,936.00 less than the Commission estimated in 1924.

Q. Of course, that 1927 figure is on the basis of the present fare, isn't it? A. Basis of the present fare, yes, sir.

Q. I am now asking you to file with the Commission as exhibit No. 9 the exhibit which was heretofore tentatively numbered No. 6.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 9.

Q. Now this exhibit, Mr. Emmons, is an exhibit of comparison also, is it not? It compares your actual net income for the six past years with the two amounts of a million and a million five hundred thousand dollars that has mentioned several times already in this hearing as the possible amount. Tell the Commission briefly what it shows. A. Its the past seven years instead of six, Mr. Howard. It shows this that taking the total net income of the past seven years, we have fallen short of the minimum income of a million dollars which the Commission thought that we should have for the purpose of credit by $587,003.00.

Q. And you only made that amount in two years, didn't you? A. We only made that amount in two years, the first year 1920 and then $43,599.00 over, and in 1926 only $10,054.00 over. And the Commission further stated that it was well for the company and thought it would be well for the general public that we should have a credit established by a million and a half. From this figure of a million and a half we have fallen short to the extent of $4,087,003.00 in the past seven years.

Q. And never came near the figure in any one year, did you? A. Never came near the figure in any one year.

Q. Will you now file with the stenographer the exhibit heretofore tentatively numbered 7 and which now becomes Applicant's Exhibit No. 10?

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 10.

Q. Now this is a somewhat similar comparison of your gross income and fixed charges for the past period of seven years, isn't ? A. Yes, sir.

Q. And it takes two standards there, one is the gross income should be one and a third times fixed charges, and the other is that gross income should be one and a half times fixed charges. Have you ever measured up to either of those? A. We have not not.

Q. Now what does that show as total shortage for those

years? A. It shows on the basis of one and a third times the fixed charges a total shortage of $1,297,854.00, or on the basis of one and a half times fixed charges a total shortage of $5,153,281.00.

(Mr. Clark) You include your interest on income funds in fixed charges.

(The Witness) They always have been so included.

(Mr. Clark) In your reports to the Commission, but not in your reports to the public or to the bankers.

(The Witness) We always include them in our reports to the public and bankers.

(Mr. Clark) As part of your fixed charges.

(The Witness) As part of our fixed charges.

(Mr. Clark) Not the ones I see.

(The Witness) Your statement I think shows it. Gillet & Company's figure.

(Mr. Clark) No, you advertise to them that you are earning over one and half times fixed charges or about one and a half times fixed charges, and you do not calculate your interest on your income bonds as fixed charges. But go ahead.

(Mr. Howard) I think if you will show him the paper you refer to he can explain it.

(Mr. Clark) I will refer him to any prospectus he gets out as company prospectuses.

Q. Now Mr. Emmons, there has already been a great deal of reference made to the subject of automobiles and automobile competition, and you have prepared an exhibit which is on the wall there, which I think every one can see. I will ask the stenographer to give that the next number.

NOTE: Chart above referred to is here filed in evidence and marked Applicant's Exhibit No. 11.

Q. Mr. Emmons, that is a chart or graph that has a number of lines on it, put together for purposes of comparison, hasn't it? A. Yes, sir.

Q. That heavy white line is called "Estimated Population Served." What is that? A. That is the estimated population reached by our entire street railway system, Baltimore and vicinity.

Q. This more nearly vertical white line is entitled "Automobile Licenses Issued in Maryland," isn't it? A. Yes, sir, the State Licenses.

Q. And that shows a pretty constant and steady increase, doesn't it? A. Yes.

Q. Now the dotted line that is marked "Curve If there had been a 5% increase each year over previous year" That is a curve constructed for purposes of comparison, to show what your company's earnings would have been if there had been a 5% increase in passengers each year, is that right? A. That's revenue passengers. That's right.

Q. Revenue passengers would have been if there had been a 5% increase each year? A. Yes.

Q. Now the red line, is that a curve of actual experience or a hypothesis? A. Actual experience in revenue passengers.

Q. The red line then is the curve showing the revenue passengers that the company had for each year through the period covered by this graph, is that right? A. That is right.

Q. And the yellow line is what? A. The yellow line is the line taking the automobiles in the City of Baltimore as 60% of the total, and taking two rides per day in and out for each of those automobiles, and plotting those on in addition to the red curve showing what would have happened had the automobile rider used the cars.

Q. Let me see if I get that idea right. The yellow curve is constructed by taking the total number of pneumatic tire automobiles registered in the State of Maryland and from that arising by a process the number of riders lost to the United that that represents, is that right? A. That's right.

Q. And that process is what? A. To assume 60% of the total of the state within the city.

Q. Assume that 60% of the automobiles registered in the state are located in Baltimore City, and then how do you make the further step as to how many riders that represents that do not ride on the United? A. We just had to assume a ride in and out a day. Now of course that may not be enough.

Q. Carrying how many passengers? A. Carrying one passengers. Just the driver. Just one man.

Q. So then in other words, the yellow curve is an attempt to construct a curve that would have been followed if you had not lost passengers to the automobiles, is that right? A. That is correct.

Q. And corresponds roughly with the curve of a normal increase, doesn't it? A. Yes, sir.

Q. Now at various points on that yellow curve there have been cross marks made. Will you explain to the Commission why they were added and what they indicate? A. Mr. Tingley has in his exhibit something similar to this in assuming 400 rides per automobile in the state I believe per year.

Q. In other words, he has made a similar attempt to figure what are the car rides lost by the existence of Automobiles? A. Apparently, yes.

Q. And this method of figuring is that figuring on the average for each automobile in the state there are 400 such rides lost, is that right? A. Yes.

Q. Now what then do these marks that correspond so very closely with your own yellow line indicate? A. By using his figures of the total passengers and automobiles the cross marks show where he comes.

(Mr. Tingley) Almost exactly the same.

(The Witness) Very much alike.

Q. So although you have followed a different method, he has assumed 400 for each automobile in the State of Maryland, and you followed a different method by assuming 60% was in Baltimore, and you arrive at almost the same results by reference to what is indicated by your yellow line there? A. Yes, sir.

(Mr. Tingley) Checked each other's exhibit.

(The Witness) Yes. It's very interesting.

(Mr. Howard) When two exhibits arrived at by different computations come so close they are a good check on each other.

(Mr. Tingley) We had practically the same basis you did in getting at our 400.

(Mr. Howard) At any rate we are not in disagreement on the subject.

(The Chairman) I understand do I that the red line is the number of revenue passengers now carried?

(Mr. Howard) Each year.

(The Witness) This should be explained I think, Mr. chairman. When we get to 1924 the sharp drop there indicates of course the extension of zones. There is a dotted line above that that is an attempt to show where we would have been had the zones not been eliminated.

Q. You haven't attempted to project on that map your partial experience for 1927, have you? A. We have not.

Q. That stops at 1926? A. Yes, sir.

Q. But as far as you have gone, it would indicate a further drop, wouldn't it? A. Very material drop, yes, sir.

Q. Now Mr. Emmons that basis of arriving at the probable number of riders, lost from the total number of automobiles, is that based to any extent on the traffic survey? A. The traffic survey during one day showed, I think, 1.7 passengers per automobile coming into the city, over a cordon line count.

Q. The cordon line count was a line drawn around the central business district? A. Yes, Center Street, Franklin, Fallsway, Pratt and Green Streets.

Q. The middle of the city? A. Yes.

Q. And they took a count at the various points of entrance of every automobile entering there and the num-

ber going out and the number of riders in each, didn't they? A. Yes.

Q. And from those counts this method of arriving at the proportion was derived? A. From those counts we felt by taking all the pneumatic tires and assuming one person per car for all the cars coming into town would be about equivalent to their proportion of the cars of 1.7.

Q. In other words that only covered the entering into the business district and the exit from the business district in the course of the day, didn't it? A. That's what it covered, yes.

Q. And that's what this chart really shows, isn't it? A. On that assumption, yes.

Q. It doesn't show anything about the amount of pleasure riding that the automobiles have taken from the street cars, does it? A. It would be very hard to prove that or check it. We know that it's done.

Q. As a general matter, haven't you observed it? A. We do know it thru our Sunday and night business.

Q. And then isn't there a great deal of what you might call cross-town automobile riding, in cases where they are not going to and from the business district? A. There certainly is, yes, sir.

Q. And yet might take the street car if they didn't use the automobile? A. Yes, sir.

Q. Will you look at the exhibit which we heretofore tentatively numbered 9 and is now filed with the stenographer as Ex. No. 12.

NOTE: Statement above referred to above is here filed in evidence and marked Applicant's Ex. No. 12.

Q. This exhibit consists of two parts, a table and a plat or graph, doesn't it? A. Yes, sir.

Q. The graph is a mere representation of the results of the table isn't it? A. Yes, sir.

Q. Well now tell the Commission what that study is designed to show? A. The study is designed to show that it's becoming more and more expensive for us to

haul the people in the city of Baltimore due to the fact that the people are gradually moving out and we are having to extend our service so that our car miles on the long city lines is gradually increasing and our car miles on the short city lines are gradually decreasing.

I think it might be well, Mr. Howard, if I take a moment to explain the naturalness of that, because of statements that have been made by counsel on the other side, as to the fare being the cause of it.

For instance in going over figures of the census bureau we find this: that within the two-mile circle of the city the 1910 figures give 451,000, the 1920 figures give 454,000, Kelker, De Leuw gave in the 1926 traffic survey report 55% of our population within that radius.

Q. What year were they speaking of? A. They were speaking of 1925. They gave 55% of the population which would be 415,000.

What I want to show by that that without the question of car fare or automobile, the actual number in the two-mile circle has decreased.

Q. And what would have been the percent living within the two-mile circle in the earlier years, that you refer to? A. Been about 75% in 1910, 451,000 out of a total of 634,000.

Q. So those figures show a diminution both absolute and relative. A. They show a real diminution, and a great relative diminution.

Now contrary to that in 1910, we find only 183,000 people outside of the circle in 1925 we find 375,000 people, or an increase of 300% outside of this short district.

Consequently it's very natural to have this result, and I can't see how it can at all be blamed on the raise of fare.

Q. Let me get one thing clear. This table doesn't propose to be an absolute table of short riders and long riders. You have no data for compiling that? A. We have not.

Q. You merely take those lines which are in their nature short lines, and those lines which in their nature

are rather long lines, and compare the number of fares or tokens or tickets collected on each of those? A. That is right.

Q. As the method of arriving at the relative number of riders of each kind.

(Mr. Clark) May I ask a question there, Mr. Howard? Where did you say you get your figures for 1910? A. From the United States Census Bureau.

(Mr. Clark) Do they split up the city and give the population in different parts of the city?

(The Witness) Yes. The spot it and we took it off of that.

(Mr. Clark) How did they spot it?

(Mr. Swaine) They make their returns into sections. Election district is divided into certain blocks.

(Mr. Clark) Election districts have changed.

(Mr. Swaine) I had those and I drew a circle and got the people in it from the actual figures, both 1920 and 1910. They give it to you both ways.

(Mr. Tingley) And if an election district was partly in the city, and partly outside, was there an apportionment?

(Mr. Swaine) I made an apportionment.

I adjusted it back by the same proportion that the old city bore to the same old city?

(The Witness) I think Mr. Tingley those figures are fairly accurate, comparably so anyway.

(Mr. Tingley) Would it be possible for you to make up an exhibit showing how you arrived at the result?

(The Witness) Certainly, we can do it as well as I have given it. I have given it I think fairly clearly.

(Mr. Tingley) It just doesn't check with observation, and I would like to just exactly how you arrived at the fact that there are less people in the center of the city than in 1910.

(The Witness) We take first Kelker Deleuw's survey of 55% of the population in 1926, which shows 415,000. Then we take those 1920 and 1910 Census Bureau figures and get these other figures.

(Mr. Tingley) I know, but I am talking about spots and how you pick out the population from the spots.

(The Witness) I will have Mr. Swaine explain it to you.

(Mr. Tingley) Now what did you say the 1910 population was beyond the center of city or the circle?

(The Witness) 183,469.

(Mr. Tingley) And 1920?

(The Witness) 278,991.

(Mr. Tingley) Now 1925?

(The Witness) 374,900.

(Mr. Tingley) Thank you sir.

Q. Will you now file with the Commission the exhibit heretofore tentatively numbered 10, but which now constitutes Ex. No. 13.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Ex. No. 13.

Q. This exhibit is called an estimate of losses due to zone extensions in June, 1924, for the 12-month period from June 1, 1924, to May 31st, 1925.
The exhibit consists of three sheets, does it not? A. Yes, sir.

Q. That first sheet I believe has the result and the other two sheets are detailed calculations? Am I right? A. No, sheet No. 3 is the final result.

Q. And the first two sheets, are one them are on the basis of revenue passengers and the other on the basis of passenger receipts, is that right? A. That's right, yes, sir.

Q. Now explain to the Commission what that tabulation is and shows? A. The first sheet on the various lines

there was a predicted loss of 25% of revenue passengers on the Pikesville Line. 26% Owings Mills Section, 25% on the Emery Grove Section, and that predicted loss projected into the third column as revenue passengers was a total for those three lines, of 836,561, and the actual loss according to our records show 814,196 revenue passengers.

Q. Whose predictions were those? A. Those were our traffic department's predictions.

Q. They were used by the Commission, but they were made by your department? A. Yes, sir.

Q. In either case it doesn't look like anyone is to be criticised for them, because the actual and predicted are very nearly the same, aren't they? A. When you get to the total, yes, sir.

Now in the second column the River View Line, Back and Middle River, Dundalk and Curtis Bay transfer, the predicted losses were 95½% River View, 34.7% Back and Middle River, 91.4% Dundalk, and the entire loss in the Curtis Bay transfer, which, extended to the third column in revenue passengers, the total predicted loss was 8,848,406, and the total actual loss was 8,923,135, which again looks like a very close check.

Q. It was not less than, but a little more than the prediction? A. Yes, sir.

Q. Now the second sheet translates those figures that were in number of passengers into dollars and cents, doesn't it? A. Yes, sir, so that going immediately to the third column the predicted loss was $599,260.00 and the actual loss was $585,152.00.

Q. Again very nearly the same? And the third sheet you say does what? A. The third sheet takes the 1923-24 revenue passengers for that year period of 238 million and deducts from that the 1924-25 revenue passengers, showing a total loss on all lines of 15,451,983, from which is taken the loss in revenue passengers of the zone line extensions, showing there was a loss in other lines of 6,528,848.

Then, they have taken again the 1923-24 total revenue

passengers of 238 million and taken from the total of that zone extensions of 13,174,275 as shown on the first sheet, giving a total of lines not affected by zone extensions of 225,401,230.

Then they have taken the loss in lines without zone extensions of 6 millions, divided that by the total of lines not effected by zone extensions of 225 million, showing a loss in that year was really 3% instead of the percentage that was given before, a very high percent.

Q. That is due to the fact that you have a general loss not due to zone extensions? A. Yes, that was the reason.

Q. Now the next table that I will ask you to file with the Commission is one that was tentatively numbered 12, and is "Comparative Statement of Earnings and Expenses for 1926, compared with 1923."

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 14.

Q. Will you briefly explain to the Commission what this exhibit that is now number 14 shows? A. Exhibit No. 14 showing the result of the year prior to the last rate increases with the last year, the year 1926, that is the result of the operation of the year 1923, with the year 1926, showing the various accounts with increases and decreases, and showing that altho we have made an increase in total operating income of $253,910.21, and with the various charges it shows but an increase in net income of $33,788.08. I don't know how far you want me to go into this.

(Mr. Clark) There was a difference in the revenue passengers in those two years, you know.

(The Witness) Yes, sir, a lot of that is due to the zone extensions, Mr. Clark.

(Commissioner Harper) What is that difference in rents attributable to?

(The Witness) That was when the Maryland Electric came in and went into the Series A and Series B bonds, and financing and construction costs, it threw that up into the rental column.

(Commissioner Harper) That absorbs nearly all your increases in the net income.

(The Witness) Over half of it, yes. It would have gone into fixed charges otherwise because it had to be funded capital.

(Commissioner Harper) How is that item taken care of now, Mr. Emmons?

(The Witness) The item of rent?

(Commissioner Harper) Yes.

(The Witness) Going on the same way. Our payments to the Maryland Electric thru the Maryland Electric mortgage is in the shape of rents.

(Commissioner Harper) Is it in that same account?

(The Witness) Yes, that same account.

(Mr. Clark) So that the increase of 1926 over 1923 is $253,000.00 that is the increase in operating income notwithstanding the fact that in 1926 you carried 13 million less passengers.

(The Witness) That increased rate of fare gave us the increase in income in spite of the fact that we had the decreased passengers, yes.

(Mr. Clark) The reason I asked you that is that Mr. Markell said they got no benefit from that increase of 1924 in revenue?

(The Witness) Certainly not proportionate.

(Mr. Markell) Certainly not in benefit.

Q. I am handing you now two exhibits that were tentatively numbered 13 and 14, both of which relate to wage increases. Will you file the first of these with the Commission?

NOTE: Statement above referred to is here filed in evidence and marked Applicant's exhibit No. 15.

Q. And will you explain to the Commission what that table shows? A. This exhibit shows the wages of motormen and conductors from 1913 to 1927, and the present

ratio of the present wage compared to the previous early wage.

Prior to May 1, 1913, our motormen and conductors were paid a minimum wage of 19c an hour, a maximum wage of 22c an hour. This was gradually raised until they reached the peak during the war period of 1920-21 to a minimum of 47c and a maximum of 52c. Later with the depression of business the men accepted a reduction to a minimum of 45c and a maximum of 50c and have since been given slight increases until at the present time they have a minimum of 48c and a maximum of 53c, or on the basis of 1913 being 100 as used by the U. S. Bureau of Labor Statistics, the minimum wage is now 252% of the original and the maximum 241.

Q. Now in that connection, what is the wage of next year, 1928? A. The wage of 1928 will be one cent higher than 1927, according to agreement made last December.

Q. That is independent of any result of any rate case? A. That is independent of any result of any rate case.

That will be a minimum of 49c an hour and a maximum of 54c an hour.

Q. What are the two towns that most nearly compete with you in getting motormen and conductors? A. Wilmington and Washington. Wilmington's present rate is 56c a maximum and Washington's present rate is 58c maximum.

Q. So they are considerably above your rate this year and the next year? A. Yes.

(The Chairman) Mr. Emmons, are you familiar with the car mileage in Wilmington and Washington?

(The Witness) Car mileage? Total miles of track?

(The Chairman) Yes.

(The Witness) No, but I know it isn't the same as Baltimore. I know Washington isn't the same as Baltimore. I can give you that thru records if you wish.

(The Chairman) It's not material, I just wanted to know if you had the figures in your mind?

(The Witness) No.

Q. Will you now refer to the other of these two exhibits, that I asked you to produce and which is now filed with the Commission as Ex. No. 16.

NOTE: Statement above referred to is here filed with the Commission, in evidence and marked Applicant's Ex. No. 16.

Q. There are three pages in this exhibit, aren't there? A. Yes, sir.

Q. Explain briefly to the Commission what this exhibit shows? A. This exhibit shows the change of rate in wages of the various other departments of our operation from the same years 1913 to 1927 inclusive, the first sheet showing the power department lines and cables, the power division, substations, the Owings Mills Power House and at the right of the sheet shows the wages in these various places, with a basis of 100, are now at the rate of 203, 190, 222, 232, 228, 287, 210, 232, 253, 291, 253, 254, 285, 288, being higher over twice what they were in 1913, and some pretty close to three times what they were in 1913.

The next sheet is that of the track department and shows the various kind of workers as having wage increases on the basis of 100 to 168 ranging up to 307, the majority of the number in this department being the laborers, 445 out of a total perhaps of 550, and these men have been increased from 14c an hour in 1913 to 43c an hour in 1927, or 207% increase.

(The Chairman) My exhibit shows 307.

(The Witness): I was giving at that time the increase. It is on the basis of 100, it is 307, Mr. Chairman.

The third sheet is that of the shops department and you will notice that the wages in this place are all more than double, some of them two and a half time, in fact the ratio on the basis of 100 reads as follows: 249, 262, 253, 231, 220, 215, 205, 218, 268, 253, 237, 231, 204, and 209. The index as I stated is all more than double and some more than two and a half times.

Q. Now, Mr. Emmons leaving the exhibits for the time being, it was stated in your petition in this case, that the Company had practiced all the economies it reasonably

could in combating the present tendencies and present conditions. I want you to tell the Commission just how your operation is conducted, and what you have done in the way of introducing economies and in endeavoring to save where you could. A. We are rather proud of the fact that we have got a good organization. We endeavor to keep in touch with all the new things in the industry, in fact we introduce many new things here that bring people here to see what we have done, and since 1919 we have made a particular drive to see whether or not we could not take out every loose end and especially since the 1924 rate case, when I promised the Commission that we would work our way out on the 8-7½c basis, we have made strenuous efforts to do it.

We did in the 1924 case submit a list of economies that totalled over a million dollars a year and I have had prepared a list for me, bringing that list up to date, which shows at total of things instituted on this property since 1919 that give a total annual savings of $1,895,605.00, which if we had not been able to do would have forced us long before this to have come over to the commission for an additional rate of fare.

I have also a very careful analysis of how that amount has been absorbed by increased wages, by increased costs of various kinds, increased schedules and items of increased expenses.

Q. Suppose you tell the Commission what these items exist of in the main, so they can judge better of what you have done. A. Well, a great many of them are short lining certain lines. Here is a short line on No. 2 line, a short line of No. 4 line, Druid Hill Avenue Express Service on No. 5 Line. Short lining on No. 5 line, interline operation of three cars on No. 6 line, and four cars from No. 18 line to No. 5 line, interline operation of three trains on No. 4 line to No. 6 line; elimination of thru service to Fairfield, on No. 6 line; express service on No. 8 line, short lining certain cars of No. 10 line, establishing No. 11 line from Guilford Branch of No. 17 line, short lining certain cars of No. 12 line, interline operation of 14 cars from No. 16 line and 3 cars from 26 line, short-lining certain cars of the No. 14 line at Rognel Heights.

(The Chairman): Just what do you mean by short lining?

(The Witness): Turning them back. Where we found they had done their full duty, as scheduled service cars. According to our count, we found that car was not needed beyond that point, consequently if we had no cross over at that point before we put a cross over, turning that car back at that point, saving additional mileage.

Terminating Federal Street branch of Line No. 27 at Milton Avenue, storing cars in midday at Cumberland Street car house; discontinuance of ship yard schuttle service; discontinuance of Ferry Bar schuttle service; discontinuance of Prestman Street line; partial discontinuance of Pikesville Service; discontinuance of Gilmor Street schuttle service, discontinuance of Idlewylde service, general one man and trailer cars, and the articulated cars, the rerouting the rush hour stop plan, the general reassignment of cars, the power saving campaign, increased efficiency of maintenance of overhead, motorization of vehicles for the power department and engineering department. Then sale of unnecessary property. We have sold since I have been here, 16 different pieces of property that we determined were not useful for the Company's use. Then we have an increase in the mail pay, a reduction in insurance, increase in advertising contract, then there are two pages of savings by labor saving devices in the shops and in the various track departments, the whole totalling $1,895,000.00.

Q. That is per what? A. Per year.

(Mr. Clark): What period did that cover?

(The Witness): That covers all the present time economies put in since 1919. Going back pretty far.

(Mr. Clark) Are you going to file a copy of that as an exhibit?

(Mr. Howard): I thought I made that unnecessary by having him testify to that.

(The Witness): There are no items in here that I believe can be disputed. If you want a copy we can furnish it.

Q. There are some other economies that you introduced that you have not mentioned? The skip stop. A. The rush hour stop was in here and the power saving was in here. I might say, Mr. Howard, that in this power saving campaign, which amounted to quite a lot, we have developed what we feel in this property is something rather unique in the point of studying our lubrication to a point that I think no other company has ever studied it, and also our break-shue clearance and the use of all power only in determining times to do certain things to the cars and in all that the relubrication and the break-shue clearance and the new heater thermostat, the power calls, reducing the voltage, elimination of unnecessary car movements in peak hours. We have reduced our power requirements to the extent of 175,000 dollars a year over what they would have been had we not done that.

Q. In a word then, do you consider that your operations has been economical? A. We feel that the sheet that you have sent over, lining ourselves up with other companies shows that it has been economical.

Q. In other words, your operating ratio, has that been a good one? A. We feel it is.

Q. Can you refer to an exhibit that heretofore had been furnished the secretary of the Commission, and tentatively numbered 11? A. Yes.

Q. Will you now file that exhibit with the Stenographer, as Applicant's Exhibit No. 17?

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Ex. No. 17.

Q. That exhibit Mr. Emmons is a comparison of you Company with a number of other typical companies in reference to car miles, revenues and expenditures for various purposes, it is not? A. Yes.

Q. And insofar as economy is concerned, how would it indicate that your company stood among those? A. The total operating expenses in cents per car miles is less than any of the eight larger cities and less than the aver-

age of 98 city companies as obtained from the records of the American Electric Railway Association.

Q. Then those cities enumerated then constitute all the cities that are as big or bigger than Baltimore in the east? A. Yes, excepting New York. We haven't taken that.

Q. And those large white circles, with numbers filled in, indicate the order in which they stand on those different subject matters that are shown by the calculations? A. Yes, from the highest down. The reverse is true, the higher the number the better the operation in this respect.

Q. You have the best operating per cent of any company indicated there, haven't you? A. We have, yes.

(Mr. Clark) Before taxes.

(The Witness) Before taxes is right. Taxes are after the operating expenses. If you put taxes in the sense per car mile, we're still in that position.

(Mr. Clark) With two exceptions.

Q. Even if you count taxes as operating expenses, if you allocate it per car mile, you would still be the best operated company, wouldn't you? A. I think that is true.

(Mr. Tingley) I don't believe it's material, but I don't believe that's correct.

(The Witness) Mr. Clark had made a statement in the intervening petition in cents per car mile that even if we add the park tax we would be the lowest in operating cost per car mile. We checked it up and we found that the statement was right. We think that's right, but it's rather immaterial. We are the highest in taxes, we all know that.

Q. Now I believe there is one other exhibit that was filed with the Secretary that hasn't been filed yet and that was the total or average fares in other cities.

(Mr. Tingley) If the Commission thinks that's rele-

vant to the emergency, I have no objection to it being filed.

(The Chairman) I see no objection to it's going in, but before you put that in, I would be glad if you would explain this Exhibit No. 17 a little more to me. I don't get it exactly. For instance, under cents per car mile, we find that Chicago is 45.86. Is that what it costs to operate a car mile?

(The Witness) That's the operating revenue, that's what they receive per car mile.

(The Chairman) Oh, yes.

(Mr. Howard) The columns relate back to the very heading at the very top.

(The Chairman) Then they are sixth.

(The Witness) They are sixth in operating revenue per car mile.

(Commissioner Harper) You are Number one in taxes?

(The Witness) We are Number one in taxes.

(The Chairman) Here Baltimore is fourth?

(The Witness) In operating revenue we are fourth, yes.

(The Chairman) What is that last grouping you have there? per cent of operating revenue, what does that mean?

(The Witness) These are often spoken of in either percentage of operating revenue or cents per car mile. That's the reason we made the two groups, you see, because we have to take the operating revenues to get the percentage. We have the first line of course in this third set of figures, but when you go to the second set, Chicago, for instance, spends 4.91 percent of their operating revenue in maintenance of their ways and structures. We have spent 5.1 of our operating revenue for maintenance of ways and structures, and so on thru.

(Commissioner Harper) Is your operating ratio 64.55?

(The Witness) Yes, including depreciation.

(Commissioner Harper) And that table indicates that you are the lowest of the Companies in operating ratio?

(The Witness) Yes, sir.

Q. Now, Mr. Emmons, I was directing your attention to the remaining exhibit that had been filed with the Secretary of the Commission prior to the hearing. Will you file that with the stenographer?

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Ex. No. 18.

Q. This is merely a tabulation of the rates of fare in the cities that are as large or larger than Baltimore, isn't it? A. The average fare paid, yes.

Q. The average fare paid of course is in most cases a composite of the cash fares and of any special fares? A. Yes, sir.

Q. For instance, in Baltimore City the average paid is the result of any full eight cent cash fare paid, or tokens used, or school fares, commutation tickets, and of children's half rate fares, isn't it A. That is correct, yes.

Q. And you make that out in Baltimore to be how much? A. 6.82 cents.

Q. Now that note indicates that in the case of the Baltimore City fare, in arriving at the average fare, you have deducted the park tax, is that right? A. It does, yes, sir.

Q. And note C indicates that in the place of those cases that have a gross receipt tax, you have made a similar deduction in ascertaining the average fare there. A. Yes, sir. That deduction made a little change in the original exhibit we sent over in the fact that we found Cleveland slightly below us, whereas the first figure showed slightly above us.

(Commissioner Harper) How did you get the cash average fare in Pittsburg?

(The Witness) We got it from them. They allow so

many rides a week on their passes. Eighteen rides a week.

(Mr. Markell) Equivalent of the cost.

(Commissioner Harper) Not unlimited?

(The Witness) They are unlimited for a dollar and a half, but it makes them ride at least 18 times.

(Mr. Clark) Why did you leave Washington out of this exhibit?

(The Witness) Taking Baltimore and cities larger. For your information, Mr. Clark, Washington happens to be a larger average fare than ours, but we tried to keep to Baltimore and cities larger.

(Mr. Tingley) And as to wages, Baltimore and cities smaller?

(The Witness) No, that isn't quite true, but it's a fact that all larger cities than Baltimore have a larger wage than we have. In fact we made no comparison here with wages of other cities.

Q. You compared motormen's and conductor's wages? A. Yes. I took adjoining cities there.

(Mr. Tingley) Mr. Emmons, would you mind leaving with us that statement of economy so we can go over it and have it available for cross examination?

(The Witness) Yes. (Handing said statement to People's Counsel).

Q. Mr. Emmons, now I want you to explain to the Commission in your own way, what your views are, as based on the experience of the United Railways Company, and as based on the experience of other companies elsewhere or any other considerations that you think are relevant, I want you to give them your views or experience as to this proposition whether or not the economic limit as it has been called in fares, has been reached and whether or not an increase in the present fares of the United Railways Company would possibly have any such effect as has been suggested, that is to say, could it diminish the riding to such an extent as to seriously

impair the increase that would naturally result from an increase in fare?

(The Chairman) One moment. That seems to be a pretty comprehensive question, and it may take a long time to answer it. I don't want to have Mr. Emmons interrupted in the middle of his answer, so it is now seven minutes of the usual time we adjourn for the day. If it's satisfactory to you, or if Mr. Emmons can answer it by four o'clock, we will be glad to have him go on, but if he cannot the stenographer can read the question to him tomorrow morning and we will start fresh on that proposition.

EXAMINATION SUSENDED.

NOTE: At 3.53 o'clock P. M. the Commission then adjourned until Thursday, September 8th, 1927, at 10.00 o'clock A. M.

THIRD DAY.

Thereupon

C. D. EMMONS

A witness of lawful age produced on behalf of the applicant, having heretofore been duly sworn according to law and whose examination was suspended for the purpose of adjournment, resumed the stand was examined and testified as follows:

DIRECT EXAMINATION.

(Continued).

By Mr. Howard:

Q. Mr. Emmons, I want to direct your attention once more to the subject of this falling off in revenue passengers or falling off in revenue receipts. You have given the figures and data for the past months, but about one fourth of September has now passed and I want to ask you if you can give the Commission any information on what the last week shows as to the trend of events.
A. The last few days made us fell, Mr. Commissioners, that our 4% is probably going to be too small. There seems to be a continual falling off. For instance, when we get days that are absolutely comparable as to weather conditions and temperature or very close like as yesterday; it was clear both days, Wednesday, September 7th, 1927, and Wednesday, September 8th, 1926. The temperature, highest was 89 one day and 80 the other, and 63 and 61. We show a decrease of $2,-470.00 or 5.3%.

On Tuesday again the weather was almost the same, clear both morning and afternoon each day, this year 81-60, last year 83-70, a decrease of $2,898.00 or 6%.

Now we have days that of course are not so comparable like Sunday, a very bad storm last year, shows an increase, but that is not showing the trend.

Going back to the Saturday previous, September 3rd last year was cloudy both morning and afternoon, this

year was cloudy in the morning and clear in the afternoon, and the temperature this year was really better, 86-65 as against 67-64, a decrease of $2,698.00 or 5.4%.

The day ahead cloudy both morning and afternoon last year with a temperature of 73-60, this year cloudy and clear with a temperature of 83-65, showing conditions a little better for traffic this year. The decrease $1,518,00 or 4.2%.

I feel that the trend is still downward and still further shows the need of quick relief, and that the 4% we have used in a reduction of the receipts is probably too small.

Q. Have you given all the days in September that you have the results for? A. There are two days that I did not give. One was the Sunday which I said the weather conditions were so that they were not comparable at all. Last year it was cloudy in the morning and storm in the afternoon and night with the temperature 74-65, this year clear both morning, afternoon and night, temperature 86-67, and that day showed an increase of $2,697.00 or 9.3%. That's on a very small base of $25,000.00 last year.

And Monday, Labor Day, both years is also a day that is not entirely comparable because of the fact that things may be going one one year that are not going on before. The weather conditions were the same, clear both morning and afternoon, with temperature 90, quite hot last year, to 72 this year 86-62, we showed a slight gain of $876.00 or 2.5%.

A rough figuring shows that at the present time, averaging all the days, we are showing a decrease of about $1,110.00 per day.

(Commissioner Harper) What percentage is that?

(The Witness) That percentage would not reach the 5% or 4%, but I hold that when we get these comparable days, and show four, and five and six percent, that that does show the real trend. The percentage of that, I will have to work it out. It is 2.2%.

(Mr. Tingley) The first five days showed only 1½% in September, didn't they?

(The Witness) I haven't got it figured that way.

Q. Your method has been to compare the same day of the week with the same day of the week of the preceding year? A. In order to get the trend, yes, sir.

Q. Now, Mr. Emmons, reverting to the question that I asked you of the close of yesterday's sitting, which in substance was will you give your views and the facts that you base them on to the Commission with reference to this question that has been suggested of your company's rate reaching the economic limits? A. Well, I think that almost everybody will admit that today the individual thinks no more of spending a dime than when he did spend a nickel before the days of the war, with the exception of perhaps the street car fare. I think that is a true statement. We also have made computations of various classes of labor, and find that the laboring man today, even at ten cent, would not spend as much time as many minutes a day to pay for his car fare backward and forward, as he did at the labor rates when we had five cents.

The statement is often made that an increased carfare not only brings a loss of the revenue passengers, but an actual loss in gross receipts. A study of quite a number of different cities, including Baltimore, showed that this is not the fact.

In the first place an increase in fares is generally thought and received after the time and revenue passengers are themselves decreasing, so that it is inevitable that with or without an increase in fare a decrease would be shown. Just at the present time we are running four or five percent below last year's figures. Certainly an increase in fare could not be blamed for that much. It might be blamed for something over, but it could not be blamed for that much, and the criticisms of former increases have always been, while we have gotten these increases on a downward tendency, that the entire decrease has been blamed on the fare, which I think is not correct.

We had studied a great many different cities as to their changes in rate of fare, and I think it's well perhaps

to take Baltimore first. The original fare of five cents was changed to six cents in October, 1918. That was on a rising trend of business apparently, because it showed, even with an increase of 20% in the fare an increase in revenue passengers of 4.57%, and an increase in passenger revenue or receipts of 30.44%.

The increase from six to seven cents, two for thirteen cents of the 6½ cent fare was made in October, 1919, and showed an increase in revenue passengers of 4.48% with an increase in passenger revenue or receipts of 13½%.

Then at that time business began to go back to some extent. We had not enough money to meet our needs, and on the first of January the rate was raised to a flat seven cents, which gave at that time a decrease in revenue passengers of 2.58%, but an increase in receipts of 3.42%.

Now the last rate case of eight cents, two for fifteen cents, was on a decline of business, and the rate was put in effect the first of June, 1924, showing while we had a decrease in revenue passengers of 7.24% we still had an increase of gross receipts of 34%. Had we not had that increase we would have had a serious decrease in gross receipts, I am sure.

It seems to me the next city it would be well to take would be Boston, which is notoriously pointed to as being a ten cent fare city. That five cent fare was changed to a seven cent fare on the first of August, 1918. They showed with that change, and I have the history of that experience very well in my mind, because I was on the property later, this was done on a falling trend of business up there, they showed a decrease in revenue passengers of almost 18%, but at the same time they showed an increase in receipts of almost 15%.

On the first of December, 1918, the seven cent fare was changed to eight cents. They still had an increase in revenue passengers of 9% when they made that change, with an increase in receipts of 24½%.

Then on the 10th of July, 1919, the fare was changed to ten cents. They showed a decrease in revenue pas-

sengers of 6%, an increase in passenger revenue of 15.8%.

The next year, on the ten cent basis, their decrease was overcome absolutely, they went up 6.3% the next year, with an increase in receipts of 6.5%, and they have been then showing very much like other cities, 1920 went up 6.3% in revenue passengers, I just gave that, and 6½% in passenger revenue, and then in 1921 they went up .8% in revenue passengers, 5.7% in '22, 7.2% in '23. The '24 figure is left out. They made some changes in some little local rides up there. In 1925 they were back 4.4%; 1926 1.7%.

The next city I want to take, if you please, will be the twin cities of Minneapolis and St. Paul. In August 1920 they changed from five to six cents. They show a decrease of 8.41 for revenue passengers, but an increase in passenger revenue of 9.35.

In August 1925 they carried that for five years, they went to eight cents, ten for sixty cents, which means they practically retained the six cent fare, and that was apparently done a very much of a falling trend, because they had a 11.75% decrease in revenue passengers and 8.5% decrease in receipts.

Then on the first of January 1926 they changed the fare from eight cents cash to six tickets for forty cents instead of ten for sixty cents, which, with a falling trend of business and having a passenger loss of 4.76%, gave them an increase in receipts of 3.73%.

The next I will take will be Cincinnati. It's rather curious, because it started in this history at a high rate of fare, nine cents cash, eight and a half cent tickets, and on August 1, 1921, they decreased the rate to eight cents, having a decrease in revenue passengers of 3.45 on a decreased rate with a decrease in gross earnings of 9.36%. Then they made a further decreased rate from eight cents flat to seven and a half cent tickets. They show on that decrease an increase in revenue passengers of 2.56%, but a decrease in revenue of 1.69%.

Then on October 1, 1923, they raised it again to eight cents. On that raise they show an increase in revenue

passengers of 12% but an increase in passenger revenue of 4.77%.

The next change was January 1, 1924, in which they raised again to nine cents cash, eight and a half cent ticket, showing a decrease in revenue passengers of 1.6%, but an increase in passenger revenue of 6.51%.

Then on the first of March 1924 they made another increase to nine cents flat again, showing a decrease in passenger revenue of 2.69%, but an increase in receipts of 4.68%.

Then on the first of July 1924 they made another step up to ten cents cash, nine and a half cent tickets, showing at that time a decrease in revenue passengers of 9.94% and a decrease in receipts of 2.04%.

Then they stepped up on the first of October 1924 to a flat ten cents, showing at that time a decrease in revenue passengers of .13%, but an increase in passenger revenue of 1.82.

Their last rate change was under the rearrangement with the city in which they still charge ten cents for cash fare, but three tickets for a quarter. Under that arrangement they show a decrease in revenue passengers of 2.65% and a decrease in receipts of 16.05.

I have the various changes of Cleveland, Mr. Howard. I don't know whether the Commission wants to hear all these changes or not. They all carry out the point that I am trying to make, that if you have an increased rate of fare on a rising trend of business it doesn't materially affect the rides. If you have an increased rate of fare on a falling trend of business it doesn't materially affect the fall. If in all cases, as far as I can see, all the figures I have, and I still have the Connecticut Company, I still have Cleveland, I still have St. Louis, I have notes from Shereveport, Louisiana, the Chicago Service Lines, New Orleans, Seattle, Norfolk, and they all show the fact, that an increased rate of fare does not materially decrease the revenue passengers, but does in every case I think that I have, show an increase in earnings.

Now, for instance, at Norfolk. This is very late.

They just recently went to a ten cent cash far down there, three tickets for a quarter, four and one sixth cent school ticket, when the year before they had seven cents cash. It's a raise of three cents cash. They had six and a quarter cent tokens, practically a raise of two cents on a token, two and a half cents on the school ticket, they introduced $1.50 weekly pass, which requires them to ride fifteen rides at eight and one third cents before they get any reduction in the rate at all, and then it depends upon how much they ride, and they show on that change, which is a very large change, 3.8% increase in revenue passengers and a 10% increase in passenger revenue.

At Seattle, Wash., I think I should give, because that has been talked of a good deal as a municipally operated line, they tried an experiment for three and a half months of reducing the fare from ten cents to five cents.

Q. What time was that? A. On March 1, 1923, fares were reduced from ten cents cash, three for twenty-five cents, with free transfers, to five cents cash, two cents charge for transfers, and ticket rate six for twenty-five cents. During these three and a half months while revenue passengers showed an increase of 7.71 passenger revenues showed a decrease of 28.79%, and after that experiment they went back to the old rate of fare.

In New Orleans they made a fare reduction on September 7th 1922 from eight cents to seven cents, showing a decrease in revenue passengers of 7.97, and for the entire year the 7 cent rate is still in effect, the revenue passengers changed, that is at the end of that year, they showed that decrease, the revenue passengers changed for the entire year after that to .166 increase, while passenger revenue showed a decrease of 8.03.

Now St. Louis has had a great number of changes from the five cent fare in June 1917 successively to a seven and a half cent fare July 1927, and they show, for instance, it changed from five to six cents in June 1918, a decrease in revenue passengers of 2.21, with an increase in passenger revenue of 16.43. On the change from six cents to seven cents on September 20th, 1919, that's an upward raise they showed still an increase in revenue passengers of 13.36 with an increase in passen-

ger revenue of 31.34. The next change was an upward change from 7 to 7½, showing a decrease in revenue passengers of 1.50 with an increase in passenger revenue of 3.07.

Then they have a long time of a decreased rate of 7 cents for practically six years. During that period they show an increase in revenue passengers of 5.04, but a decrease in receipts of .40%.

The last change was to 8-7½, an upward change again, showing a decrease in revenue passengers of 5.27, they are running a good deal like we are, about 5% back, but the change in the rate of fare has again taken up the slack on that and given them a .61% increase in passenger revenue.

(Commissioner Harper): When was that change made?

(The Witness) That was made just in July, for just the months of July and August. We have their telegram.

(The Chairman): What is the situation in Cleveland?

(The Witness): I will be glad to read that. Cleveland started out in the days of Tom Johnson and the competition with the municipal line at a four cent rate, three for ten cents. And then in 1918 they made a change of the four cent rate, seven for twenty-five. On that change they showed a decrease in revenue passengers of 1.61, but an increase in passenger revenue of 14.28.

Then the next change was to a flat five cents and one cent for transfers.

(Mr. Tingley): When was that made?

(The Witness): August, 1918.

(The Chairman): Was this under the Taylor grant?

(The Witness): This was all under the Taylor grant, and of course the changes made automatically through a buffer fund or revolving fund, barometer fund they called it sometimes.

(The Chairman): Insurance Fund.

(The Witness): Yes, sir. In August, 1918, the change was made to five cents, decrease in revenue passengers of 7.45, but an increase in passenger revenue of 23.50.

The next change was a decrease, because they added to the five cents, eleven tickets for fifty cents. That was made in July, 1919. That decrease showed an increase in revenue passengers of 14.21, with an increase in passenger revenue of 10.65.

The next change was six for a quarter, another decrease, showing an increase in revenue passengers of 7.02, but a decrease in passenger revenue of 1.07.

The next change then was an increase. They went back again to the flat five cent fare in May, 1920, showing an increase; with increased rate of fare, they show an increase in revenue passengers of 1.15, with an increase in passenger revenue of 13.07.

The next change was a further increase to a six cent flat rate, nine tickets for fifty cents, in November, 1920, showing a decrease in revenue passengers of 12.45, and a decrease in passenger receipts of 1.07%.

The next change was a downward change to a flat five cent fare again in August, 1922. These all carry with them one cent for transfer. August, 1922, showing an increase in revenue passengers of 1.82%, but a decrease in passenger revenue of 8.41%.

The next change was another downward change, from five cents cash, eleven for fifty cents, in March 1923, showing an increase in revenue passengers of 3.07% but a decrease in passenger revenue of .02%.

The next change was an increase to a flat five cent fare again in September, 1923, and that shows a decrease in revenue passengers of 3.23, but a decrease only in passenger revenue of .07.

Next was another increase, six cents, nine tickets for fifty cents, in December, 1923, showing a decrease in revenue passengers of 8.99, but an increase in passenger revenue of 3.69.

The next occurred last October, 1926. They raised it

to seven cents cash, eight tickets for fifty cents, shows a decrease in revenue passengers of .88%, but an increase in passenger revenue of 14.55%.

Shrevesport, Louisiana, had a trial after a six cent fare effective June 1, 1920, and after running that fare to June 1, 1922, they made a reduction to five cents, and while the revenue passengers increased 7.14% the passenger revenue decreased 4.82%. In September of that year the rate was again changed back to six cents, and while the revenue passengers decreased 1.08%, the passenger revenue increased 6.57%.

(The Chairman) What is the population of Shrevesport? Have you any idea?

(The Witness): It's rather small, I think. Chicago, I have. On June 14th, 1922, the former fare of eight cents straight was reduced to seven cents cash, three tickets for twenty cents, with the result that the revenue passengers increased 4.25% but the passenger revenue decreased 11.6%.

(Commissioner Harper): Have you discussed Pittsburgh yet, Mr. Emmons?

(The Witness): I haven't Pittsburgh except a little memorandum as a result of the use of the weekly pass, which is always a source of more or less contention, and while they still seem to feel it's a good thing, our studies of the fact that they still carry less passengers, and had to operate more car miles, and have $100,000.00 less earnings during the year 1926 than they had before that, we can't see that it's really doing them any particular good.

I have a curious memorandum, just noticed in an English paper that I have been a subscriber to for a long time. The town of Blackburn is operated municipally. It's a town of about 120 thousand people, industrial, with cotton and calico and muslin factories, not far from Liverpool, the alderman of the town felt that they would get business back by reducing a two penny fare to a one penny fare, cutting it right in half, and they tried this experiment for seven weeks. It was on this idea that they would get enough business to offset the reduction. They figured it, due to other things, it would require a 40% in-

crease in number of passengers to offset the reduction made and after seven weeks' trial they put it back because they found only 4% increase in passengers.

Another curious little thing I noticed in a paper from Nova Scotia, they they tried up in one of their towns to find out what a five cent fare would do on Sundays. This reads "More figures available recently show further decrease in the receipts of the Nova Scotia Tramway and Power Company, owing to the adoption of the five cent Sunday fare." "Receipts for this year, as compared with those of corresponding Sundays of a year ago show a decrease of $1,085.00 up to the end of July." "A further series of decreases for August have been tabulated and read as follows."

They all show decreases, that the going back to a five cent fare has not offset the original fare. I do not, however, know what the original fare was.

(The Chairman): You say you haven't Pittsburgh? Have you any figures on Philadelphia?

(The Witness): We have not on Philadelphia. This figures we happened to have. We didn't eliminate them, it just happens we don't have them.

(Mr. Clark): You don't have Philadelphia, right close, and yet you have Shrevesport, a thousand miles from here.

(The Witness): I will get you Philadelphia, if you want, Mr. Clark?

(Mr. Howard): You are much better pleased with his not having it.

(Mr. Clark): No, no, we are absolutely in this emergency case unprepared to meet any such sort of a case as is now being presented. Now, we expect to be prepared when the time comes; that is, in the permanent case. He can go out and pick out cities here and there all over the United States that are favorable, and if there are any cities that are unfavorable, we don't know anything about it.

(Mr. Tingley): If the Commission, please, I think Mr.

Clark is unduly alarmed about that. I don't think the situation in other cities has any bearing on the case, and when the situation in other cities is relevant in the case, we will be prepared to meet it. I have no objection to this testimony.

(Mr. Howard): I would like to call attention to the point that the contention raised by Mr. Clark that we have reached the economic limit, and that a lower fare would produce a lower return, that all this testimony is in reference to his own point.

(Mr. Clark): The point I made was in answer to the permanent fare portion of your case and not the temporary.

(The Chairman): I don't think it helps very much to have this discussion. Go ahead with the examination.

Q. (By Mr. Howard) Now, Mr. Emmons, in the case of any increases that have been made in Baltimore during your experience, or in the case of any increases that have been made in any other cities that you know of, is there anything whatever that indicates in any way that the economic limit is being reached, or that a limit of fare was being reached any short distance above which would accomplish the result, if further increases were made of diminishing returns instead of increasing returns? A. I do not find them in any information I have.

(Mr. Tingley): What would you call a short distance? Two and a half cents.

(Mr. Howard): Let Mr. Emmons explain that.

(Mr. Tingley): The amount of the increase.

(The Witness): I do not feel that there is any question as to ten cents not being beyond the economic limit, and that is the answer you wish.

Q. Yes.

Q. Is there any indication from any of the evidence at your disposal that any such figure as that would reach the economic limit? A. No, there is not.

Q. Or very near it? A. No, sir.

(Mr. Tingley): What would you think the economic limit was?

(The Witness): I think when you get above ten cents, then you have got to begin to do some zoning.

(Mr. Tingley): In other words, when you reach ten cents, you have reached the complaining point?

(The Witness): For a short ride, but not the complaining point for a ride of long distance. Now take, for instance, the rides in London, the zoning rides which the London people stand for and which the American people will not stand for, American people desiring one fare within the city, and our friend Mr. Clark having helped us get one fare in the city in the last case. When you take the two penny ride which they had, one time I made a study of this in London—at that time four cents; I think it's been reduced to three cents now, maybe two, maybe it's a penny. But if you take that with their zones and apply them to a ride to Roland Park, the people in Roland Park would pay 16 and 18 cents instead of the present rate of fare. If you would apply them to a ride that you can get, a continuous ride on a transfer, that we have, we figured out that time, that it would cost 26 to 28c under the London system of zones. It's very difficult to collect. The Public Service Company of New Jersey tried it out at great expense and simply could not do it. They went to a great deal of expense and spent a great deal of time and money and reconstructed their cars in order to do it, but it wasn't an American system.

Q. Has there been any case to your knowledge in which anything resembling the English system you have referred to has been successfully introduced or tried in this country? A. Not to my knowledge. No, not for city fares. Some interurbans operate like steam roads.

(Mr. Toole): How about Wheeling, W. Va.?

(The Witness): I don't know their operation.

(Mr. Toole): They work on a zone system.

(The Witness): They probably work on a five cent zone system outside of the city; we do that, too.

(Mr. Toole): It's a zone system in the city and even then their distances are not as far as our city distance is from town to town.

(The Witness): The people might say we work on the zone system, because we have those various zones that Mr. Benson referred to yesterday.

(Mr. Toole): Three years ago, when I was there, you paid four cents and the next scale four cents, and every time you passed a certain street corner the conductor comes in, and by the time you get your hands out of your pocket you have to put it in again.

(The Witness): The people in Baltimore wouldn't stand for anything like that.

Q. Mr. Emmons, in reference to Baltimore, I don't quite understand what you said about the last increase in 1920 or the increase that I believe was granted at the end of 1919, wasn't it? A. Yes.

Q. Was that followed by an increase or a decrease in revenue passengers? A. That was followed by a decrease in revenue passengers and an increase in passenger revenue.

Q. And it overbalanced the other? A. Revenue passengers showed a decrease of 2.58 and the passenger revenue increased 3.42%.

(Commissioner Harper) You mean in 1920?

(The Witness) In 1920. That's for the period of that seven cent fare.

(Commissioner Harper) But you had a right large increase in 1920.

(The Witness) But we took the whole period.

Q. What was the immediate result in 1920? A. There was no decrease at all, this shows it. (Referring to Applicant's Ex. No. 11.)

Q. When did that increase take effect? A. The first of January, 1920.

Q. And your revenue passengers for 1920, were they

considerably larger, or slightly larger, or what, than the previous years. A. I will have to correct myself.

(Commissioner Harper) My recollection is they increased 10 million.

(Mr. Markell) The opinion of the Commission in 1924, said it was the largest increase they ever had.

(The Witness) That's right, 10 million passengers.

(Mr. Tingley) That was an increase on an upward trend.

(The Witness) That was an increase on an upward trend. That's the reason I say a trend has more to do with it than the fare.

Q. You didn't mean to suggest that the rising fare was the cause of the increase in revenue passengers? A. No, what I meant to say, it didn't have any material affect. It depended upon the trend of the business at the time.

Q. Mr. Emmons, I want to make one thing clear that perhaps is obvious, though it might not seem so. Suppose there is a change in fare and it is followed by an increase of a decrease in the number of revenue passengers. What I want to bring out is whether or not, the decrease or increase in revenue is anything proportionate to that?

Let me put this as an illustration. Suppose in any given year like 1926, the fare had been reduced instead of being what it is, suppose that reduction had lead to increased riding to such an extent that the gross receipts were the same, would it follow that the net return to the Company would be the same? A. No, naturally it would cost us more money to haul the additional number of people.

Q. You had I believe a calculation showing that, although it isn't here? A. Yes.

Q. We will file that later. Is it small or great? A. It's very great on the assumption that we made of a reduction to five cents, I think it was.

Q. So that I might express it this way: that if you

reduce your fare in the hope of making it up by gaining more passengers, you would have to gain a great many more passengers than enough to bring your gross revenue up to the same point, wouldn't you? A. That is right.

Q. And conversely if you increased your fare, and if that should lead to a falling off in the number of passengers, in order to make it bring you a net less revenue, you would have to lose a great many more passengers than enough to merely bring the gross receipts down to what they were on a lower fare? A. Yes, because you could lessen your expense by the lesser number of people.

(Commissioner Harper) Do you feel that your reduction in car miles, which resulted in a cut in the service has attributed somewhat toward a reduction in revenue passengers?

(The Witness) Very little, Senator, for this reason: that we have been very particular, not to cut car lines until the passenger business has fallen off and in looking over our schedules, although we have been compelled this year to make quite a number of cuts, and that to my mind is one great need of a sufficient amount of income, through an increased rate, very promptly so that we can give service. We have had to cut 27 different lines out of 25.

(Mr. Tingley) Would you say the service now is adequate, Mr. Emmons?

(The Witness) It takes care of the business according to the Commission's rules, but I don't think it's the kind of service the people of Baltimore ought to have. For instance, Mr. Tingley, I don't believe any line is good service, what I would call good service in a city the size of Baltimore, where a person has to wait over ten minutes for a car. Now, that's a long time. A ten minute service on many lines is more than the traffic justifies, but to give service I think we ought to have it. Now in order to meet our expenses, we have had to drop lines back to 12 minutes, some to 15 and I think to give good service to the people of Baltimore, we ought to have sufficient income to have a car there at least once in ten minutes.

(Mr. Tingley) If you get any increase in fare would you consider the skip stop system constituted good service?

(The Witness) I would, because it speeds service very materially. It gets our cars through since they have settled down to it. During the period of trial with rush hour, and rearrangement of schedules, it was hardly possible to know what the real result would be, but in the first six months of this year, they have been able to find they do make extra time, they are able to take cars off, that these cars that are taken out from the lines that have the better type of cars, can be put on lines that have the poorer type of cars, so that the rush hour service has not only helped in getting the longer line person home more promptly during that time, but it has also helped the lines that have had the poor type of cars to have a better type of cars.

(Mr. Tingley) Do you think it's at all significant that the decline of passengers set in about the time the rush hour plan was instituted?

(The Witness) Not a bit. It's been true all over the country.

(Mr. Tingley) Has that been true to the same extent?

(The Witness) Worse in some places.

(Mr. Tingley) And not so bad in others?

(The Witness) It just depends on the business. Now Detroit, for instance. I have the month of June figures here which is a tabulation in red. The first line is Baltimore. The month of June we went back about 2.34. The next is Boston. It went back 3.50. There is no change there. Brooklyn went back 1.24. Buffalo went back 5.91. Chicago went back .24.

(Mr. Tingley) An increased fare in Buffalo to ten cents?

(The Witness) Not at that time. It's since this time, but it's just a falling that compelled Buffalo to ask that increased fare, and it's that falling off that's compelling us to be here today.

(Commissioner Harper) You say you don't the skip stop plan, as you call it, has had the effect of reducing passengers?

(The Witness) I do not, some one, two or three people, but compared to the total number we haul, absolutely insignificant.

(Commissioner Harper) Don't you think where you cut the service it has had a tendency to discourage regular riders?

(The Witness) It might a little bit, but the cut has been absolutely necessary.

(Commissioner Harper) I have heard people standing right in front of this building complain about the long delay of the car coming up Calvert Street, and they complained of it and said this is the reason the traffic is falling off.

(The Witness) To some extent, but I have a memorandum showing where we deliberately built up service and it cost us twice as much to extra business back, that we got back. We may lose some, yet, but if I hadn't cut service, the way I have been doing, I would have been over here long before I am, and if it hadn't been for these great gaps, I wouldn't be here now. I think the answer to Mr. Tingley is these other cities; the rush hour stop hasn't anything to do with it. In my mind, not only Baltimore, but in other places, the great growth of the automobile and the use of the automobile, have hurt us. I don't think business depression is doing it. I think it's entirely the automobile, and it's a condition that's with us and a condition that we have got to live through until it settled down to a permanent basis.

(Mr. Tingley) If it's the automobile that's responsible for the fall off in revenue passengers, why is it that it's the short haul business that's chiefly affected and the long haul business is increasing?

(The Witness) I think I had the explanation to that yesterday.

(Mr. Tingley) But that wouldn't account for the increase in the half fare riding, would it?

(The Witness) It would mean this, that the person who runs the automobile and the rider we are losing today is the adult rider, the eight cent and seven and a half cent man.

(Mr. Tingley) Wouldn't you expect that the automobile would affect the long haul business more than it would the short haul business.

(The Witness) I think it has, but the reason it shows this way is because the short haul territory has in itself not increased. That is if you hadn't any automobile at all the traffic in the short haul territory would have shown a decrease. Now then the long haul territory would have shown a big increase, but the automobile affecting both of them, I think you are right, has affected the long haul more than the short haul, but because the short haul has decreased in itself without the automobile traffic, it shows worse in a comparable way than the long haul, which has the larger percentage decrease, because you still have that big increase. I would like to say, if Mr. Tingley isn't convinced that the rush hour stop has not done this, I would like to read the rest of the result of these other cities.

(Mr. Tingley) You can do it if you wish to.

(The Witness) Cleveland went back in the month of June about 4.81%

(Mr. Tingley) That was an increased fare, wasn't it?

(The Witness) They have some increased fare. Detroit had no increased fare and they went back 12.08. Indianapolis went back 3.92. Kansas City had no change of fare, went back 5.12%. Philadelphia no change in fare went back 7.55.

(Mr. Tingley) What do those cities show for August and September?

(The Witness) We have just sent them wires for August figures. I think I have July here for some places.

(Commissioner Harper) How much did you says Pittsburg went back?

(The Witness) Pittsburgh went back 1.26%, St. Louis 2.64, Washington about 3.46, New Orleans, 4.33.

(Commissioner Harper) The only city that has the weekly pass went back less.

(The Witness) No, Brooklyn went back only 1.24. Chicago Surface Lines, .24. That's both surface and elevated.

Q. (By Mr. Howard) Now Mr. Emmons I want you to describe to the Commission, the present financial situation of the United Railways especially with reference to its floating debt and then to explain what effect, if any, this decrease in revenue has on that. A. The decrease in revenue is of course giving us less and less money this year to operate on, about $300,000.00 less this year so far, than we had last year and has compelled us to borrow from the banks very consistently, until at the present time we have a borrowing from the banks to the extent of $1,925,000.00 in the name of the United Railways, and endorsed borrowing on the part of the Baltimore Coach Company of $445,000.00 or a total of $2,300.00.00.

At the same time we have obligations to the city of paving, payable at different times, part will be payable the first of the year of $319,620.00.

We have contract obligations with the Westinghouse and General Electric Company, part-payable every six months, of $352,253.00, an obligation at the present time of about three million dollars.

We have notes coming due in September and quite heavily in October and we feel we just have to, if at all possible, get in a position to have credit to keep going.

Q. Your bank loans are usually for what period? A. Four months.

Q. And you say you have those maturing right along beginning with this month? A. Not mainly this month. In October. We have a few this month, but October we have $600,000.00 coming due.

Q. What's the total amount of all your floating debt?

A. Including the Baltimore Coach? endorsed by the United Railways?

Q. Including that? A. $2,370,000.00.

(Commissioner Harper) What are the proceeds of those loans applied to?

(The Witness) Some of them have been used for our needs in various ways, part of them to cover construction expenses. We have about a million and a half construction.

(Commissioner Harper) That's capital account?

(The Witness) That's capital account, if we can get in a credit position to fund it, but we certainly are not in that position at the present time .

(Commissioner Harper) The proceeds are not used for operation in any way.

(The Witness) No, of course they are seasonal, March and around there. A million dollars has to be paid out in fifteen days during those periods.

Q. Besides what you mentioned, you have relatively short loans compared with an ordinary funded debt? These outstanding notes? A. Yes.

Q. How long do they run for? A. Two and a half year notes, the recent issue, they are three year notes, and the recent issue runs for three years, from the 1st of August.

Q. What I want to direct attention to, how far it is important at the present moment to your Company to preserve its credit as a borrower? A. Well, we not only have those coming due, but we have a million and a half of Baltimore Traction coming due in '29. We have the Maryland Electric of about $4,000,000.00 coming due in '41. In fact, the next five years with the construction we feel we should do, we have something over 15 million dollars to take care of.

Q. Now some suggestion has been made about the large extent to which your Company, which the securities of your Company consists of bonds and notes as compared

with stock, that's true, isn't it? A. That is unfortunately true because we have never been in a credit position to let us sell stock and we have been hoping that by having established a continuous dividend period, that we could get in position to sell preferred stock some day.

Q. In fact there was an Act of Legislature to assist you to sell preferred stock? A. Yes.

Q. Changed the taxable basis of it? A. Yes.

(Mr. Toole) What act was that?

(The Witness) I have forgotten the number.

Q. 1927? A. I might say this, if you will, Mr. Howard, about our bonded debt, Mr. Clark has made reference to its great growth, and I have a statement here of our interest charges from 1913 to 1926, and it seems to me that they have grown very slightly for a business of our kind.

The total interest charges in 1913 was $2,734,756.00 In 1926 $3,382,102.00 or an increase of about $600,000.00 in 12 years, about $50,000.00 a year. The fact is, if you put that on a percentage of our total revenue, the percentage of our interest charges has decreased from 30.31% in 1913 to 20.7% in 1926.

That is the ratio of money that we spend today for interest charges is materially less than it was in 1913.

(The Chairman) That's the ratio of interest charges to gross revenue?

(The Witness) To gross revenue, yes.

Q. And of course during that period your funded capital has increased too, hasn't it? A. It has increased. It makes that increase $600,000.00 in payment of interest charges.

Q. Now. Mr. Emmons you have shown yesterday what the effect for the year of the present fall in revenue passengers would be. I want you to explain to the Commission what affect, if any, that has on your credit as a borrower, and on your ability to issue preferred stock in the future? A. I think that it makes it almost impossible to issue preferred stock, and we unfortunately

feel the effect of our decrease in earnings when we go to borrow money. That's a thing that I am a little embarrassed to talk about, because it's not a very happy thing for a President to admit that he has had any difficulty in borrowing money. It is a fact, I think, that did not our Baltimore bankers have confidence in the Company, and the management and also confidence in the Public Service Commission and its fairness, that we would have more difficulty than we have. But then in our recent borrowings we ran across some few questions that began to show that our Baltimore bankers were not altogether pleased with the results that were being obtained.

Q. Now in reference to that issue of preferred stock. Suppose you fail to get any increase of this fare? Would that have any effect on your ability to do that? A. I don't think it would be at all possible. Not to any extent at all.

(Mr. Clark) Now are you talking about the emergency or the permanent fare?

The Witness) I am talking about the emergency.

(Mr. Clark) An emergency fare you think will have that result?

(The Witness) I think if we don't get a change of rate in the fare very soon that the result will be that we won't be able to issue preferred stock, certainly not during the present year.

(Mr. Howard) I think that's all I have to ask Mr. Emmons, unless something occurs to the Commission.

(Commissioner Harper) How far has the operation of the Coach Company been a burden upon the railway system?

(The Witness) It has been a burden only to the extent that we are having to help carry it on these notes. At the present time it is just getting out from being a burden. Last year it was a burden to the extent of, last year it had a deficit of $31,000.00, the year ahead a deficit of $28,000.00. A large part of this deficit, unfortunately, is in our endeavor to help develop Randallstown Real

Estate. The year before a deficit of $15,000.00. The year before that, twelve. The year before that, twenty-one. At the present time, we are running much better than usual. We have gotten some new buses at a very small expense and have gotten our equipment in good shape and have gotten our schedules rearranged, so that the first seven months of this year shows a profit of $29,-000.00 as against a deficit last year of $31,000.00. We are feeling that the bus Company is getting to a point where it will carry itself, but that's a curious thing that this fare of ten cents, with our seven and a half cents, we are going back, but the ten cent rate on Charles Street is not going back .

(Commissioner Harper) How is your Fayette Street line?

(The Witness) Fayette Street is coming up some, too. We are still running a little deficit on Fayette Street, but it's getting pretty well wiped out.

(Mr. Tingley) People generally seem to think that a bus ride is worth more than a car ride.

(The Witness) They do, but I can't see it. I don't thing a bus is near as comfortable a ride.

(Mr. Howard) Does a bus rider get a transfer privilege?

(The Witness) He does not, and has a much shorter ride.

(Mr. Howard And pays a ten cent straight fare?

(The Witness) And pays a ten cent straight fare.

(Mr. Howard) As I understand the Coach Company business you refer to includes all the bus business you are interested in?

(The Witness) Outings and tours and all the bus system, yes.

(Mr. Howard) Some of that bus business is taken to offset possible competition, isn't it?

(The Witness) Yes. I might answer the Senator about East Fayette Street. In 1926, the month of June

it had a deficit of $2,629.00—the month of June this year that deficit was reduced to $1,024. So that's gradually coming over.

(Commissioner Harper) Whether there is a deficit or profit in the operation of the Coach Company, where does that appear in you accounts?

(The Witness) It doesn't show. It's kept entirely separate. In fact the Coach Company are operating some things that are shown on their books that perhaps should show on the railway and would make the railway worse. They have the Bentalou Street, the Chester Street line, the Monroe Street line, the Alameda line, and all of them lose money and we would have to take $35,000.00 off our net income if we had to absorb the deficits of the bus lines due to the railway itself.

(Commissioner Harper) That would have been last year, but not his year?

(The Witness) This year also. Those lines are going back. I have it right here. 1926 the deficit of the railway bus lines was $35,870.00, and from January 1 to July 31, seven months this year, it is $15,939.00.

(Commissioner Harper) That's the railway bus lines.

(The Witness) What we call the railway bus lines.

(Commissioner Harper) They are simply extensions to your car systems?

(The Witness) In a way the Chester Street line is not. While it does to some extent parallel the car line, we look upon that as a separate line.

(Mr. Howard) You spoke of railway bus lines or the deficit due to the railway itself. Explain just what you mean by that?

(The Witness) Wo count certain lines of the bus company as competing lines, like the Charles Street, the Mt. Royal, the East Fayette, the Baltimore Coach Company we divide into two sections. One we take the railway bus lines out of their own report, and see what the real result of the Baltimore Coach Company is.

(Mr. Howard) The railway bus lines being what?

(The Witness) The Bentalou Street, which is a connection between Edmondson Avenue and North Avenue on Bentalou Street.

(Mr. Howard) Do you mean they are running as feeders to the United or cross connections?

(The Witness) Cross connections and feeders both. Now the Alameda is a feeder. The Monroe is a cross connection between Edmondson Avenue and Columbia.

(Mr. Howard) In other words they are to help the United Railways' service?

(The Witness) Yes.

(Mr. Howard) And they are the ones to which you refer as Railway bus lines?

(The Witness) Yes.

(The Chairman) You do transfer from those lines?

(The Witness) Wo do transfer from those lines, yes.

(Mr. Howard) And your losses have been principally in which lines?

(The Witness) In the railway bus lines.

(Mr. Howard) And those losses are not included in any way in your operating figures?

(The Witness) They are not. They would make the operating statements even worse.

(The Chairman) Senator Benson, was anxious to get away and unless there was some objection, he would like to ask Mr. Emmons a few questions.

CROSS EXAMINATION

By Mr. Benson:

Q. Mr. Emmons, I would like to ask you a few questions regarding your exhibits 13 and 12. A. I have them, Mr. Benson.

Q. Take No. 13 first. Pikesville extension, how much

was that in mileage? What mileage it was before the addition and what mileage it added. A. The old fare limit was Rodgers Avenue and Park Heights Avenue, and the extension of what we call the Pikesville line was out to Slade Avenue, a distance of about a little over two miles. It's 2.4 miles to Belvedere.

Q. A little over two miles extension? A. About two miles, yes.

Q. Now, what distance was that line from the center of the city before the extension approximately? A. It's a long line and unfortunately, the same as you are trying to do, it's one that's been used as a ruler to string around to see how far other fares ought to go.

Q. Now, how long was it before the extension. A. I haven't that.

(Mr. Howard) That's a map of the city.

(The Witness) About seven and a half miles.

Q. Seven and a half before extension? A. No, about five and a half before the extension.

Q. Now, you made an extension on Owings Mills? A. The extension of the city fare was made to Slade Avenue, then there was a slight adjustment of distance out towards Owings Mills, and Emory Grove, I have not the figures here about those changes. I can get them, Mr. Benson, I don't think they are material. The change was made.

Q. But from Slade Avenue to Owings Mills is approximately how many miles? A. This map does not show it. I don't believe I have a map here that shows it. If you wish I will bring that here this afternoon. Of course, that isn't one zone, there is a zone in between there.

Q. You have an Owings Mills extension, what does that mean? A. That was the adjustment of what was left of the Emory Grove line after the city fare was extended to Slade Avenue. There were three zones in there before, and we would have had a very small at Pikesville, if we had not made an adjustment, consequently we made the distance we had remaining in there to three zones again and that moved the zone points that were

previously zone points out a little further in both cases, so I wouldn't know from this map, although I can find out in the office what change was made.

Q. Then you wouldn't know about Emory Grove, either. A. No.

Q. Now, the River View line, that line extends not only to River View, but runs down to Dundalk Junction, doesn't it? A. Yes. You mean the present arrangement?

Q. Yes. A. Yes.

Q. How far does that run into Baltimore County? A. I have got .71 miles.

Q. I notice your predicted loss on that line was 95.5%, so there must have been quite an extension there at that point. A. Well, there was very little, because almost 100% of the loss was predicted, and that was due to the fact that River View takes nearly all the people.

Q. I understand that, but your extension—you had two fares before that to River View, didn't you? A. Yes, we did.

Q. And you extended to River View for one fare and then on down to Dundalk Junction? A. Yes, in order to get a meeting point there, that was the only excuse for it, so that people up in that section could come back to River View Park on one fare.

Q. Now, the Back River and Middle River lines? I notice you estimated 37.4%, how much extension there did you make on that second fare? A. The second fare was extended from the old fare zone at 18th Street to the new city line which was 2.1 miles. I mean the city fare was extended 2.1 miles.

Q. Yes. Now the Dundalk line that also runs in the country, doesn't it? Dundalk Junction? A. Yes, sir. Now those two lines outside of the city, just the same as the Emory Grove line were readjusted as to fare points with the part that was left beyond the city limits or beyond the new established city fare limit, with the exception that at Sparrows Point, one entire zone fare was eliminated.

Q. Now, the Curtis Bay transfer. What does that mean? A. That was a three-cent charge that was formerly used for all city fares for people riding over Baltimore and Light Streets. You could get on at Baltimore and Light and go to Curtis Bay for a regular city fare, but if you came beyond that or wanted to transfer to Curtis Bay you paid an additional three cents.

(Mr. Howard) Collected at that central point, then?

(The Witness) Collected at that point or on the Curtis Bay cars.

Q. Now, I notice that in your exhibit No. 13, you mention the seven lines that I have gone over, but you don't mention line No. 35 which runs from Saratoga and Howard to Lorraine Cemetery. A. This is the zone extensions that were ordered by the Commission in June, 1924. That's a much later thing, and your friend to your right can tell you all about it, because he was the one that was guilty of getting it.

Q. In other words you specially favored him? A. He was such a nuisance he had to do it.

Q. You specially favored Lorraine Cemetery? Is that the idea? A. No, we did not. The Lorraine Cemetery line comes in the city limits and is a very short extension of the Hillsdale line; the Lorraine is a very short distance outside of the city limits. I think less than a mile. So that in taking the Lorraine line over it was with the intention of having the ownership of all the city railway lines in the City of Baltimore. We did not own that line.

Q. But you took it over and extended the one car fare out into the county half a mile? A. About, yes.

Q. When that line, before you took it over, had a greater haul to the center of the city than the entire haul to Halethorpe did? A. If you measured that way that might be true, yes.

Q. Isn't that true? A. I haven't the distances here, but that possibly is true.

Q. Now can you name me a single line extending out into the suburbs of Baltimore, there into Baltimore County that has as short a haul for its first fare as the

Halethorpe line? A. I think your statement is correct, but there must be some one that is short and some one that is long.

Q. Now can you name me more than three lines that extend out to the suburbs in Baltimore County that haven't a longer haul for one fare than we have for two? A. That's the difficulty when you have a city whose city is not the center of a circle, so that all the lines are the same and your statement is probably correct.

Q. You are still talking about the city; because the city is square in most directions, and in this particular direction of Halethorpe it slants off. Is that any justification for a railway company or a Commission in saying that they can extend half a mile because it suits their convenience or a mile because it suits their convenience and yet can't extend a mile and seven-eighths and when you add the two together its a less haul than you are hauling anywhere else. A. Senator, there is just this about it. As far as we are concerned there must be some limit of haul.

Q. Sure. A. And it seems to me that the people in the country, being in the country, and sometimes having arranged to be in the country in order to get the advantages of lower taxes and the lower expenses of living in the country are rightly expected to pay more car fare out there.

Now we just have this difficulty. You take your distance outside of the city line. I appreciate all you say and all that, but if you take your distance outside the city line, the very next thing Towson could measure that distance outside the City Line, neglecting the fact that their city line is much further, and so if you went to Halethorpe outside the city come to Towson outside the city.

Q. I think you want to be fair. I am sure you do. A. I do want to. I have a hard job to be fair.

Q. But I just want to ask you whether when the law says that there shan't be any undue preferences made for one locality over another, there is nothing said there about Baltimore City being the boundary, this is not a

Baltimore City corporation, is there any reason why you should extend out to Lakeside, half a mile through those country estates beyond Roland Park, and not extend half a mile even out the Halethorpe line? A. My memory is there was quite a contention when a zone line was put out there, and we were forced to go out to Leeds Avenue, which is quite a distance outside of the city limits.

Q. How far? A. A quarter to a half a mile.

Q. Don't you think it's more nearly one hundred and fifty yards? A. I really don't know, but I know it's outside of the city limits.

Q. And the only reason you went there was because there was a high bank there and the people had to walk on your right of way that one hundred and fifty yards. You didn't want the people to walk that one hundred and fifty yards up between two banks of the railway? A. Any way it extends out beyond the city limits.

Q. It does, and so does the Catonsville line, so does the Edmondson Ave. line extend an unappreciable distance beyond the city limits. A. I think the only thing to do is let the Commission see the facts and have them determine it, but the fact is that our fare zones, according to the people of various sections are supposed to be elastic. Now, for instance, out the Towson line we have our stop at the city limits, quite close to the city limits. The next development beyond there, Stoneleigh, are continuously after us to extend out to them, and then the next one would be and the next one would be, and there must be some limit of our ride.

Q. I understand that. Assuming that that is substantially correct. A. Substantially correct, yes.

Q. Can you see any fairness in having eight of the principal lines of your lines having materially longer distances of haul, and five of them extending into Baltimore County appreciable distances for one fare than Halethorpe gets for two? A. The only thing is that I can see there must be a limit some place, and the city limits has been made and an endeavor to keep the limit in the city limits. If you take the end of that Halethorpe line on that map and swing that circle around

you will have us back on the Back and Middle River Line just at the point where Mr. Clark had hinted the contention for us to extend, and its just a fight, fight, fight all the time to such an extent that we cannot make ends meet.

Q. Now let me ask you this one question. Your proposition is that you have been compelled to come here because the yard stick has been lengthened, hasn't it? A. Part of the reason.

Q. One of the material reasons? A. No, the decrease by use of the automobile.

Q. Well you said this last increase was not an increase because you lost practically what was given you by an extension of zones? A. That's right.

Q. Now if you were given a rate sufficient to take care of the situation, you have no particular prejudice or reason for objecting to Halethorpe receiving the same haul that eight out of eleven other lines extending into the county receives? A. With the qualification that I have a sufficient rate to meet the situation.

Q. That's what I say. Now you mentioned a while ago, that you thought that you were not reaching the economic limit until you reached ten cents, but that when you got above that, that you thought there would have to be zones.

Now, I want to ask you in fairness if you don't realize that people buying homes, and people in competition with other builders, aren't being placed in a position where they are being put beyond the economic limits when you put them on a twenty-cent straight fare with the same haul that other people get a ten-cent fare or less, whatever it may be? A. That would look very plausible when you look at the map and see the distances, Senator.

Q. If you were given by the Commission sufficient raise in fare to justify the giving to Halethorpe a single fare, would it not in all probability rapidly enure to the advantage of the United Railways in this respect; that whereas now your lines out at Overlea, Hamilton and those sections, your traffic is very heavy and lines are overloaded because of the advantageous position those

particular localities have had for years with reference to rates, that it would give the neighborhood of Halethorpe, Leeds and Arbutus an opportunity to build up and thereby distribute your traffic somewhat? A. That's quite possible. I think that a single fare would tend to greater development, yes.

Q. Now I just want to ask you one more question, and I am quite confident of my position, and that is that you realize that two fares to Halethorpe, two ten-cent fares would materially slow up the development in that community? A. That depends. If the people out there are using automobiles, that fare wouldn't make any difference.

Q. Of course, some of them use them, but do you happen to know the class of citizens that are living out there? A. Yes, don't think there are as many automobiles around there as compared with other sections of the city.

Q. Nothing like as compared to Lakeside and Roland Park. Even those who have automobiles they don't use them to go back and forth to their work. Most of them use the trains and electric cars? A. I couldn't answer that.

Q. You know the travel has increased on the electric cars in the last two or three years? A. It shows so. Of course our change of routing upsets the calculation so much that we couldn't say definitely.

Q. But you know your receipts on the second fare zone have increased? A. I think it has increased, but I have not made that comparison lately.

Q. With reference to Exhibit No. 12. I don't understand this exactly, Mr. Emmons. I notice you have short city lines and long city lines, then you seem to have lines included in above figures. I don't know whether that left hand lines are the short city lines and the right hand lines the long ones or not? A. What we put that lower list there for was in order to show that we did not hand pick out lines to do this. The left hand ones are the short lines used and the right hand ones are the long lines used. The heading at the top is supposed to come down to the bottom of the page, Senator.

Q. Now, I notice you leave out No. 3 line. I presume that you made a note down there. A. We haven't put all the lines on. We wanted to get lines that were definitely short city lines and lines that were definitely long city lines.

Q. Now, you left out some very definitely long ones, No. 23 Middle River, No. 35 Lorraine Cemetery. A. No. 23 Middle River, of course, has the outside zones off. What we are trying to do is to keep this in the city. There is no reason why Lorraine is not on here.

Q. Then, this don't bring it down to date. A. It brings it down to and including 1926.

Q. No your Middle River line was extended before 1926 to your city line? A. Yes.

Q. Down here at the bottom you say, your total of long hauls 5.88 miles. Now, I just want to ask you if you add into that list of long lines the Middle River, Lakeside—. A. No. 29 is Lakeside line.

Q. Does that go all the way through in your measurements or does it just go inside of Baltimore in your measurements? A. I don't recall offhand. Look down No. 10, they have Roland Park, Lakeside and Riverview, its included in the No. 10 line, both the No. 29 and No. 10 run in connection with the Lakeside line and they have included the Lakeside and Riverview extension in the No. 10 line.

(The Chairman) That is, you have a jerk-water line running out to Lakeside from the Roland Park car barn?

(The Witness) Yes.

Q. Now, the Sparrows Point line, is that in here? No. 26, the Sparrows Point line is quite a long haul? A. Yes, it's an industrial line and moves up and down according to business.

Q. Nevertheless, if you were to add those long lines in there, your average of city and long hauls extending them out into the county, because there is no reason that I can see why in your figuring your long hauls if there is a half a mile in the county, and if there is four miles in the city and two in the county why you have got the

right to make an arbitrary distinction there, that would though increase your average if you had added those other long lines that you have left out beyond the point of 5.88 as your long hauls, wouldn't it? A. As to length of line, yes. The purpose of this exhibit was not to show that.

Q. I understand that, but I didn't want to be put in the position that our line, which was six and a quarter to six and a half miles, was an extremely long line. A. We had no idea of making comparisons.

Q. Can you point out any line around Baltimore that has a shorter haul for one fare than the Halethorpe line has for its second fare? Any second fare that's as short as the Halethorpe line's second fare? A. I believe that is the shortest.

Q. And it's the shortest the first fare, isn't it? A. From the center of the city.

Q. Yes. A. It looks like it is, yes.

Q. And it's shorter for two fares than No. 8, No. 15, No. 35, No. 28, No. 26, No. 19, No. 32 and No. 5 are for one fare? A. With this exception, of course, that city end of the fare you have the privilege of a transfer.

Q. It's shorter? A. Yes, with that exception.

Q. Haven't they the same privilege that we have? A. They do, yes.

Q. How can you say there is any exception, then? A. If your rider takes a transfer and gets on the longest ride that he can take that would be equivalent to a long rider getting a transfer and going on your line, but nevertheless it's true as you say, they have the same privilege.

(Mr. Benson) Thank you, gentlemen, all of you, very much for letting me have this chance.

NOTE: The Commission then adjourned for the purpose of taking a short recess.

AFTER SHORT RECESS

CROSS EXAMINATION

(Continued)

By Mr. Tingley:

Q. Mr. Emmons, would you say that the company is faced with a Receivership during the next two or three months if the emergency increase isn't granted? A. Not a Receivership, but a very serious situation, due to our credit condition.

Q. Now, let's analyze that serious situation for a few minutes. The United Railways & Electric Company have borrowed from the bankers to the extent of $1,925,000.00 on its own paper, is that correct? A. We have.

Q. And you have endorsed paper of the Baltimore Coach Company to the extent of $425,000.00? A. We have.

Q. What are the maturities of that paper? A. I will give them to you. September 30th we have $25,000.00 coming due, and another $25,000.00—$50,000.00 on September 30th, October 27th we have $500,000.00 coming due, October 28th $100,000.00; October 31st, $25,000.00; $625,000.00 due in October.

Q. Have you any apprehension of not being able to renew those notes if you wanted to do it? A. I am fearful of the ability to do it. I would say this, that if the bankers, as I said before, if the bankers had not some confidence in us, and some confidence in the Public Service Commission in protecting our situation I think I would have trouble.

Q. Have you had any indication from the bankers that you would be required to pay that amount in the next two or three months? A. We have had some indication from the bankers that they don't want us to come over and borrow at the present time.

(Mr. Tingley) Mr. Kormann, will you please read that question.

NOTE: Question here re-read by reporter.

A. We have not. Because it's been our practice of paying our loans when they come due. Bankers expect that.

Q. You have no apprehension of not being able to pay that, have you? A. We hope to be able to. I am not sure that we can.

Q. Now, the Maryland Railways Company $4,000,000 notes that fall due in 1931, they, of course, don't constitute an emergency situation, do they? A. Not at the moment, but the credit position created today might carry through.

Q. But I mean that so far as the next two or three months are concerned they don't constitute any emergency? A. Not in the next two or three months.

Q. And the same would be true of the $1,500,000.00 Maryland Traction Company notes, due in 1929? A. Excepting as the credit situation of today will be reflected through.

(Mr. Howard) Explain what you mean by that.

(The Witness) If we get in a bad credit position today it's very much more difficult to recover it than to keep the credit position we have established in the last five years of having a reasonable margin to go on. We have not made the million, but it has held our credit position by being near to it.

Q. You wouldn't anticipate that the next two or three months would create any emergency by those Baltimore Traction Company notes, would you? A. Not the Baltimore Traction Company, but as I say the credit position that might be lost might carry thru.

Q. Would the same thing apply to the three-year notes that have been issued and have two and a half years more to run? A. That same remark would apply.

Q. Now, this case that you have just described of your going to the bankers, those are the four months' notes due in September and October, aren't they? A. Yes.

Q. Now the Westinghouse contract, when is that payable? A. Every six months.

Q. And when will the six months expire? A. There will be another payment due in January. We paid one in July.

Q. The next two or three months wouldn't hold any emergency as to that? A. Not as to that.

Q. Now, this obligation due to the city for paving, when is that payable? A. Our next payment is due some time next year. It's one year after the completion of various work. That is extended thru out the year beginning some time next year.

Q. So that there is no necessity for paying that in cash during the next few months? A. Not in the next few months.

Q. I understood you to say that if an increase in fare is granted the skip-stop plan of operation, will nevertheless be continued? A. We think it should, we think it's good operation.

Q. In the 1924 hearing the Company assured the Commission that if an increase were granted, service would be improved, is that correct? A. If we had the funds it depends on the funds, whether it can improve service.

Q. The skip-stop plan of operation was instituted to effect economies in order to avoid an application for a rate increase, wasn't it? A. That was part of the reason. And also to give what we feel is better service.

Q. Nevertheless, if a rate increase is granted, the skip-stop plan of operation will be continued? A. We think it's proper service.

(Mr. Howard) Explain what you mean by better service.

(The Witness) It gets people home quicker and it lets us operate more economically. It lets us use better equipment for other parts of the city, and in the whole the city benefits by the rush hour stop.

Q. You think that the public generally feel that, Mr. Emmons? A. Excepting those who skip their stops which is a very small percentage of the total population.

Q. Despite that fact, if an increase is granted, the

wages of the men will be increased materially, won't they? A. We expect to do that.

Q. Do you think the interest of the men come ahead of the public generally? A. I think our men are entitled to great respect and great consideration.

Q. And the public, too. A. The public also, yes, but our men have really helped this situation along and helped us work along on the old rate of fare, as far as we have been able to do it, with being content with a less wage and less than adjoining cities have.

Q. We will come to that later, in connection with your exhibits 15 and 16. Suppose we take Ex. No. 1. Have you that before you? A. Yes, I have No. 1 before me.

Q. Does this or any other exhibit submitted indicate that the service will have to be curtailed or abandoned during the next two or three months, while the ten-cent fare case is pending, unless an emergency increase is granted in the interim. A. I think we must make the garment suit the cloth. We have not, however, made any change in service since the first of July.

Q. You don't think that any changes in service would be necessary whether or not an emergency fare is granted, any reduction in service? A. I would feel if an emergency fare is not granted that we should then begin to make a curtailment, that would let us hold back some of our losses.

Q. Would you think that was necessary from your operating standpoint? A. From the standpoint of making receipts making expenditures and have any kind of a margin at all. I think it would be necessary.

Q. What service reductions would you think were necessary? A. I couldn't give the different lines, we would simply have to cut them to meet the traffic conditions.

(Commissioner Harper) What were your passengers per car mile in June of this year as compared with June of 1926?

(The Witness) I am not sure that I have that.

(Commissioner Harper) Well, don't stop to look that up.

(The Witness) I will try to find it.

(Commissioner Harper) Never mind.

Q. Mr. Emmons, have you any reason to anticipate that operating expenses and maintenance will not be earned during the next two or three months, if an emergency increase is not granted. A. No, our own exhibits show we expect to make that, yes.

Q. Are there any extensive extensions or improvements that must be made during the next two or three months? A, No extensive ones, other than under way now and a large part of which is the compulsory reconstruction of track due to city paving.

Q. Do you consider this first exhibit an appropriate exhibit in an emergency case? A. I do. I think it shows a continued falling off of passengers, and the fact is that as we have our monthly reports they begin in January to show that we were falling off, in January was no falling off, but when we got to February we began to see that we had fallen back of the last three years, '24, '25 and '26, when we got to March it showed we had fallen back of '20, '21, '23, '25 and '26, when we got to April we had fallen back of '20, '25 and '26, and when we got to May we had fallen back of every year since 1920, $152,000.00 back during the month of May, back of May, 1920, and when June began to show the same thing, June has fallen back of every year since 1920, a total of $165,000.00 less than 1920, we began to feel it was absolutely necessary to get some relief. We waited, however, until July came thru. July again fell back of all the years since 1920 and July itself was $250,872.00 back of the month of July, 1920.

I think that the constant falling off and increasing falling off certainly shows a real need for an emergency if anything ever showed it. You can't show, as Mr. Clark wants, a sudden dropping off, of the rides, or a sudden rise in wages or costs because our rises in cost have been going steadily upward since 1913, and we can show by indexes and charts here today, if you want to go into that that our costs today are 210 to 212 per cent over

twice what they were in 1913. That's been gradual, it isn't sudden, but we have reached that terrific point.

The same thing with this going down of earnings. It's been gradual since February and gotten to such a point that the rising costs and the falling off in earnings, to my mind has created a point approaching a real catastrophe for the Company.

Q. Now that catastrophe, does that threaten a continuation of service during the next two or three months? A. It threatens a continuation of service that the people of Baltimore ought to have.

Q. Does it threaten a receivership? A. It does not.

Q. Now, the exhibit shows that January passenger revenue increased .03%, doesn't it? A. .03%.

Q. And February decreased 1.83%? A. Yes, sir.

Q. March was worse, 2.77%, isn't that right. A. Yes.

Q. Then April was better than March, with 1.63? A. Yes.

Q. May was worse, with 4.20? A. Yes.

Q. June was better than May, with 3.49%? A. Yes. I might interrupt that Saturdays and Sundays make some of those changes.

Q. I understand. Then July was worse with 4.55? A. Yes.

Q. August was better with 3.13? A. On account of Sundays.

Q. September so far shows a decline of only 2.2? A. But we really feel that September is really running about 5%.

Q. Altho the average only shows 2.2? A. That's due to certain conditions of business from days of the month.

Q. Would you say those figures indicated a progressive trend of decline? A. I think it does.

Q. Doesn't August show a less decline than May, June and July? A. Due only to Sundays. If you will take a day by day comparison, it will show 4.33.

Q. How about the first days of September? A. There is only one very bad Sunday last year that gave us a large increase this year and the trend and fall has shown in the last two days of 5 and 6% the real trend for September.

Q. Would you say that an estimated rate of decline in passenger revenue of 4% for the remaining six months of the year could be really predicated on this exhibit? A. I feel it could be predicted on the exhibit and I feel it would be low.

Q. The average loss for May, June and July was 4.08%, wasn't it? A. That may be so, yes.

Q. That was shown in the original draft of the exhibit as you have gotten it up and I think it is shown on this exhibit? A. That probably would be so.

Q. And for May, June, July and August, it's 3.85%? A. That's probably so.

Q. And the first days of September would bring it still lower? A. You can't take those first days on account of the one day that throws it all off.

Q. Now, weren't May and June abnormally cool months, this year? A. I would have to look back to our records on that. I think I can tell you.

Q. Can't remember it, as a matter of fact? A. I wouldn't remember it definitely. I have in this statement for June, I happen to have one week, and it shows this year, Monday partly cloudy, last year rain and clear. Tuesday partly cloudy, last year clear. Wednesday rain and cloudy, last year partly cloudy. Thursday this year cloudy, last year clear. Friday clear, last year cloudy. Saturday clear and cloudy, last year clear. Sunday cloudy and rain, last year cloudy. With temperatures 84-60 for this year, 72-48 last year; 79-57 this year, 79-52 last year; 64-55 this year, 74-53 last year; 74-58 this year, 72-55 last year; 69-55 this year, 66-52 last year; 72-49 this year, against 71-52 last year; 71-56 this year, against 77.55 last year. It don't look like there is such a great amount of difference.

Q. Mr. Emmons, if it is true that both May and June are abnormally cool months, and that further is they

showed a high percentage of days on which the bad weather obtained, would that affect riding to parks and places of amusement? A. Yes, but I don't think the assumption is true.

Q. Suppose it's shown to be true? A. That's the one reason perhaps that could be given, but I have here the month of June and it doesn't seem so very different from the comparison.

Q. Now, about the month of May, have you that? A. I read the month a moment ago.

Q. You called it June. A. I beg your pardon. I was reading for the month of May. June looks about the same. For the temperatures of this year it shows 89-72 as against 81-62; 80-56 against 88-62; 98-64 as against 92-68; 84-64 as against 84-66; 82-58 as against 87-66; 81-67 as against 97-74; 82-63 as against 72-68.

Those are just two weeks that happened to be here and it doesn't look to me like there is any grave difference.

Q. There isn't any serious question about July having been a five Sunday month? A. I think not.

Q. What effect would that have in dollars on the revenue from the company? A. It would make July this year less than last year.

Q. About how much? A. It runs anywhere from ten to fifteen thousand dollars difference.

Q. Mr. Emmons, was the drop in revenues the sole reason for asking for emergency relief? A. It's the effect of the drop in revenue on our credit position, on our need, on our ability to give service.

Q. Does the necessity for making a good showing for refinancing and marketing preferred stock have anything to do with the application? A. No, not particularly, but we think we need to be in that position if we can.

Q. How long ago did you start to work on the emergency case? A. In July.

Q. That was the first time that it had been considered? A. We have been talking about it during June, but we

didn't begin working on it until July. About the middle of July.

Q. Didn't you start on it before June? A. No, we anticipated we might possibly need an emergency case during June. As I say these statements that I read showing a continual falling off, when we came to June showing a couple hundred thousand back of June, 1920, we began to feel that we really had to do something.

Q. Take exhibit No. 2, Mr. Emmons. Were you present during the hearings of the skip-stop case? A. No.

Q. Do you remember that Mr. S. E. Emmons stated in the Skip-Stop Case that December, 1926, was one of the best months the company ever had? A. I wasn't here, but that is possibly so.

Q. December, 1926, was a very good month, wasn't it? A. I think likely it was.

Q. And January showed a gain in revenue passengers of .32%? A. Over January of the previous year.

Q. That's right. February showed a loss of 1.61%? A. Right.

Q. March showed a loss of 2.51%? A. Right.

Q. Then April improved, showing a loss of 1.39%, didn't it? A. Yes.

Q. That was less than the February loss? A. Yes.

Q. And less than the March loss? A. Yes. I don't know how Sundays and Saturdays affected that. I presume it did.

Q. Then May was worse again with a loss of 3.93%? A. Yes.

Q. And June improved over May with a loss of 3.24%? A. Yes.

Q. July shows a loss of 4.20%? A. Yes.

Q. And August showed a loss of 2.89% which was again an improvement? A. Yes. The Sundays did that.

Q. Did the same thing happen with respect to these

few days of September that happened in the case of passenger revenue? Is the percentage lower there too, in other words? A. If you average them, yes. But I believe the average of the first few days of September is not a fair statement of the trend of the present time. I think the days that compare absolutely as to temperature and to weather give a fair comparison and that runs from five to six per cent.

Q. I am going to take that up with you in connection with Exhibit No. 3. But would you say that this exhibit indicates a progressive trend of depression? A. With our knowledge of the day comparison, I would say yes.

Q. Doesn't the fact that the situation improves from month to month and then drops off again militate against that? A. No. I think the day to day comparison shows that and the Sundays that come in there upset that.

Q. I think you said in your testimony yesterday that the decrease in revenue passengers was in full fare riders and the commutation and half fares increased, that's correct, isn't it? A. That's what the statements show.

Q. And that accounts for the loss in passengers being at a lower percentage than the loss of passenger revenue? A. Yes.

Q. Doesn't that indicate that the fare has something to do with the riding habit? A. I don't think so. I think it shows that the man that's paying the full fare today is the man who is driving the automobile today.

Q. How about the boy that's paying the half fare. He is not riding so often, is he? A. No, he is riding more than he did before because he is not driving an automobile. I don't think it's because he got half fare.

Q. Wasn't a great part of the loss in passengers experienced on Saturdays, Sundays and holidays? A. Yes, we find that is true, that Saturdays, Sundays and holidays are decreasing more than the week days.

Q. Approximately what per cent would you say that constituted of the total loss? A. I am not sure that I can give that. I have a statement.

(Mr. Howard) Are you speaking now of loss over last year?

(Mr. Tingley) Either last year or over an average year, Mr. Howard?

A. I don't think this is marked. I had this statement worked out for me, the percentage of average passenger receipts of Saturdays, Sundays and week days of 1926 and 1927 over 1913. They have taken the average of the various days of 1913 and the average of the various days of 1926, and they find that the week days today are 96.8% of the average of the week days in 1913. No, that's increased 96 per cent while the Sundays have increased only 41.4 per cent, and the Saturdays have increased only 77.9 per cent.

Q. That would indicate a falling off of pleasure riding, wouldn't it? A. On the street cars. I would says its according to the automobile.

Q. And if it has, doesn't that indicate that people are only riding on the street cars when they have to? A. Well, I think it's quite natural if they have an automobile in front of their house they ride in an automobile.

Q. Suppose they haven't an automobile? A. If they can't get some friend to take them I guess they will ride on the street cars.

Q. Doesn't that indicate that the fare affects the riding habit? A. I don't think it does at all.

Q. Don't you think the fact that there has been a marked decline this year over last year, that the fare in a time of depression at least has some effect on the riding habit? A. I don't. I really believe if we were to haul these people for five cents, if they could get in an automobile they would do it.

Q. And you think the increase in commutation and half-fare riders doesn't set off against them at all? A. No, because the commutation rider is due almost entirely to the Sparrows Point activity, and the half-fare boy isn't driving an automobile. As he gets older and gets into the adult class he gets a machine and begins to ride.

Q. He gets into Mr. Markell's jazz age. Do you think the application for a fare increase affected the number of revenue passengers during August? A. Not at all.

Q. The short haul business is falling off, isn't it? A. Yes. It shows that it is through one of these exhibits of ours.

Q. And the long haul business is increasing? A. That's due to the population increasing. It is.

Q. Wouldn't auto competition being expected to chiefly affect the long-haul rider? A. I feel we had that explanation; that the long-haul rider himself having increased to such an extent the automobile competition can affect him to a greater extent than the short rider can, but nevertheless the short-rider population is itself decreasing and would make the larger decrease due to the automobile still be less than the decrease of the short-haul rider.

Q. Aren't the indications that a great many people are walking, rather than taking short car rides? A. No more than before. I think some do.

Q. Don't you think the number has been increased right along? A. I don't think so.

Q. Don't you think the indications are that a considerable number of people consider that the present rate of fare is more than the value of the short car ride? A. I think there may be a few but very few in number. As I say a person might jump on a car and put in a nickel for a short ride and say that because its 7½ cents he walked today, but I think that's so negligible that it doesn't mean anything.

Q. Have you Exhibit No. 3 before you, Mr. Emmons? A. I will get it. I have it, yes.

Q. Now that shows, I believe, that the maximum temperature of thirteen days in August, 1927, hit eighty degrees or more, doesn't it? A. I didn't count it, but it gives the temperatures there.

Q. I think you can check it? A. I will take your word for it, Mr. Tingley.

Q. Don't it show that on one day it hit ninety degrees this year, ninety or more? A. During August.

Q. Yes. A. Yes, on Sunday the 7th it hit ninety-one.

Q. That's the only one, isn't it? A. That's the one I see, but there are a lot of 87s.

Q. Now, as against that thirteen days that hit eighty and one day that hit ninety, doesn't it show that twenty-two days in August, 1926, hit eighty degrees? And ten days hit ninety degrees? A. That-probably true.

Q. Doesn't it show that six days this year were clear all day, in August, 1927? A. That seems to be a fact.

Q. Does it show that twice as many or twelve were clear all day last year? A. That seems to be a fact.

Q. Then you would expect car riding, and particularly more pleasure riding in August, 1926, than in August, 1927, wouldn't you? A. Unfortunately the clear days haven't come up to expectations this year as to pleasure riding.

Q. Well let's see about that. Sunday, August 21st, 1927, was clear all day this year, wasn't it? A. Yes.

Q. With a maximum of temperature of 80 degrees? A. 80-63, yes.

Q. And the comparable day in 1926 was cloudy with a maximum of 71? A. Yes.

Q. And the day this year showed an increase over last year of $4,400.00, didn't it? A. That's right, yes.

Q. Now take August 15th. That was also a better day as to weather conditions as the comparable day last year, wasn't it? A. Monday?

Q. Yes. A. Yes.

Q. And it showed an increase in revenue this year, didn't it? A. $435.00.

Q. Wasn't the same thing true as to the 24th? A. $553.00 increase.

Q. Doesn't that indicate that the riding was good on

good days this year and bad on bad? A. Yes, I think that is true, but if you get down to Sunday the 28th it shows that the falling off of riding on a bad day this year as against a clear day last year was $10,571.00 as against the Sunday you took which gave an increase of $4,483.00.

Q. Right, and that was 20% of your entire loss for the month. That's practically $11,000.00 out of your $55,000.00? A. Yes.

Q. And that was a rainy day? A. Rainy day this year as against a clear day last year.

Q. Now take the week end of Saturday, August 6th, and Sunday, August 7th, of this year. Saturday, August 6th, this year was cloudy all day, wasn't it? A. Partly cloudy.

Q. Saturday the 6th? A. Partly cloudy.

Q. Partly cloudy all day? A. Yes.

Q. And the temperatures were what? A. 82-64.

Q. Last year what was the weather situation? A. Cloudy in the morning and clear in the afternoon.

Q. So that last year was a better day than this year? A. Yes. Hotter day to 91-75.

Q. And as a consequence of that there was a loss this year of $2,252.00? A. Yes.

Q. Now take Sunday. Sunday this year was cloudy in the afternoon? A. Yes, but clear in the morning.

Q. And the temperatures were what? A. 91-67.

Q. Last year it was clear all day, a comparable day, wasn't it? A. Yes.

Q. The temperatures were what? A. 87-69.

Q. So that last year's day was much better than this year's? A. Yes.

Q. And the loss this year was $5,185? A. That's right.

Q. Now take Saturday the 13th. This year it was clear all day, wasn't it? A. Yes.

Q. Last year it rained in the afternoon? A. Yes.

Q. And the loss this year was only $94.00? A. Yes, still made a loss.

Q. Sunday the 14th, this year, rained all day? A. Yes.

Q. Last year rained in the afternoon? A. Yes.

Q. A better day last year than this? A. Yes.

Q. A loss this year of $5,762.00? A. Yes, I think that shows business is falling off? A. Yes.

Q. Saturday the 27th? A. Yes.

Q. Cloudy this year, all day? A. Yes.

Q. Loss of $5,139? A. Yes.

Q. Sunday the 28th?

(Commissioner Harper) Those two days showed a big difference of temperature too.

Q. Yes sir. Sunday the 28th, rained all day this year? A. Yes.

Q. Clear all day last year? A. Yes.

Q. Loss of $10,571.00? A. Yes.

Q. That totals a loss of $29,000. for those three week ends, doesn't it? A. Yes.

Q. And that's about 52% of your total loss for the month, isn't it? A. Yes, that would be about it.

Q. And all three of those week ends showed worse weather conditions than the week ends last year? A. That's right.

Q. Now let's take a slightly different situation. Let's take the week ends Saturday the 20th and Sunday the 21st? This year Saturday the 20th was cloudy all day? A. Yes.

Q. The temperatures were 75-64? A. Yes.

Q. Last year it rained all day? A. Yes.

Q. Temperatures were 63-60? A. Yes.

Q. Slightly better day this year than last year? A. I would say very much better.

Q. A loss of only $189.00? A. We would expect to gain that day instead of a loss with those weather conditions.

Q. Your gain came the next day, Sunday the 21st? Clear all day, this year? A. Yes.

Q. Temperature of 80-63? A. Yes.

Q. Last year cloudy all day? A. Yes.

Q. Temperature of 71-60? A. Yes.

Q. This year shows a gain of $4,484.00. A. Very likely due from the hangover from the day before.

Q. Doesn't that indicate and indicate conclusively, that on days when you get anything approaching fair weather this year you have good results? A. No, I think it indicates conclusively that we have got to have a terrific comparison of weather to offset the difference in traffic.

Q. Doesn't it show that 20% of your entire loss came on one bad Sunday? A. On that day, yes.

Q. And that 52% came on three bad weather weekends, that were worse than last year? A. Yes, it looks to me like this thing of yesterday and day before yesterday is illuminating, in the fact that the comparison of weather and the comparison of temperatures are almost equal, and yet yesterday we made a decrease of 5.3% and day before yesterday a decrease of 6%.

Q. How about August of last year and August this year? How did the temperature compare? A. All the way thru?

Q. Yes. A. We had the analysis before us there.

Q. And the analysis would indicate that more riding would have been expected last year than this year, wouldn't it? You had clearer weather and hotter weather last year? A. Yes, with worse weather this year than last year, we certainly ought to offset the riding last year, but when we still went back it would look

to me to accenuate the fact that business was going backward.

Q. But wouldn't it be natural that you would have better riding in a month that has better weather conditions? A. Last year, yes.

Q. You don't think the fall-off in week-end riding shown in that exhibit has any effect on the fare at all? A. I don't think so, it's the automobile.

Q. Let's take Exhibit No. 4. Doesn't that show that August receipts were closer to July receipts this year than they were last year? A. Yes, that was very easily explained; the fact that the Saturdays and Sundays come in there. It just switches it around, July having had five Saturdays and five Sundays this year, and August having had only four Sundays and four Saturdays, as against last year would be a different comparison.

Q. How much difference would you think that would make in dollars? A. That would make quite a difference in dollars.

Q. Do you think it would account for that total difference that is shown there? A. The $99,000.

Q. Yes, sir. A. No, sir.

Q. It couldn't possibly account for that, could it? A. No, of course not. The fall-off in riding accounts for the rest of it.

Q. Does that indicate a fall-off in riding when August is closer to July this year than it was last year? A. Excepting the conditions of the earnings, and the Saturdays all came in to upset the analysis, I would have to go thru that very carefully to give a definite answer, Mr. Tingley.

Q. But you don't see anything offhand that would account for that total difference? A. Except the Saturdays and Sundays would offset to an extent of somewhere between 30 and 50 thousand dollars, likely.

Q. And that would leave 50 thousand more to be accounted for, wouldn't it? A. It might be weather conditions, it might be things that attract people, different entertainments, concerts in the parks and so on.

Q. Doesn't that exhibit indicate if anything indicates that August has turned the corner for a better showing? A. No, I don't think so at all.

Q. Let's take Exhibit No. 5. A. Yes.

Q. Doesn't that chart show that the low and average lines both trend up in the latter part of the year? A. Yes, that's always so.

Q. And in the case of both of them the turning point seems to be August? A. Yes, that's true.

Q. Is it reasonable to expect that the last six months of 1927 will continue on the decline shown by the summer months, shown by that exhibit? A. It would be possible to be some slight up-grade, but it would have to be a good deal to bring us out anywhere near right.

Q. Isn't the net income for the last six months of the year always higher than that for the first six months of the year? A. I think it generally is, yes. As against that we have some extra expense to consider that would make out net for the last six months, less than the net for the first six months of the year.

Q. Now taking Exhibit No. 6. Do you think the failure to earn a fair return on investment is grounds for emergency relief? A. Having been so continuous and so long, I think it is at the present time.

Q. Under what language of the Maryland Statute, of Chapter 335 of the Acts of 1927, would you say that was true, Mr. Emmons? A. I am not a lawyer. I don't know anything about the acts in that way.

Q. This shows that the rate of return received on an adjusted $70,000,000 valuation is as follows:

1920 6.074%?

A. That's what it reads, yes, sir.

Q. That's more than 6%? A. Very slightly.

Q. For 1921, 5.546? A. 5.546.

Q. 1922, 5.870? A. Right.

Q. 1923, 5.975? A. Right.

Q. 1924, 5.927? A. Right.

Q. 1925, 6.004? A. Right.

Q. Over 6%? A. Very infinetesimal.

Q. 1926, 5.912? A. Right.

Q. Now, Mr. Emmons, an increase to a ten cent fare would mean a 2.4c increase in the average fare received by the company, wouldn't it? A. Yes.

Q. And on the number of car riders, for 1926 that would mean about $5,000,000 increase in receipts, wouldn't it? A. Well, then to get into that we have got to get into the question of depreciation.

Q. Taking that up afterwards? A. And Park Tax.

Q. First answering that question? A. It wouldn't mean that much. You have taken the total passengers of '26. You will have to reduce that in the first place by at least 4% for present falling off.

Q. I mean taking the passengers as they are in 1926, without reduction? A. But that would not be a fact.

Q. But you don't know whether you will in 1928, or not? A. We don't expect to.

Q. But you don't know? A. No.

Q. It's just a guess? A. The difficulty in the guessing here is, has always been, we have guessed too optimistic.

Q. But for August and July you have guessed too pessimistic? A. No, it doesn't show that.

Q. Would an increase to ten cents on the number of car riders you had in 1926, without reduction mean $5,000,000 increase in receipts? A. That would be true, but I don't think it would ever be a fact.

Q. Now if 20% were taken off for taxes, it would still mean a $4,000,000 increase? A. I think your assumption in the first place, Mr. Tingley, is entirely wrong.

Q. But assuming, it's up to us to substantiate our assumption of course, but assuming that that is correct.

(Mr. Howard) Your assumption is that if you had had the increase in '26, is that it?

(Mr. Tingley) Yes, sir.

(Mr. Howard) Supposing we had gotten it January 1, 1926?

(Mr. Tingley) Yes, sir.

Q. (By Mr. Tingley) Now, in 1926, the Company had $4,307,000.00 available for return on its investment? A. $4,289,000.00.

Q. Yes, sir. Wit a ten cent fare, it would have had over $8,000,000 available for return on its investment, wouldn't it? A. No, because if we had that we would begin to do what we should do; we would begin to set up a proper depreciation reserve. Part of that goes to the Park Tax. We would begin to pay proper wages to the men. We would begin to give different service.

Q. Would you raise the wages of your men before you gave different service? A. We might change it the other way.

Q. Assuming that you didn't do any of those things, you would have had an income of eight million dollars available for return on investment, wouldn't you? A. If you want to assume a thing that's perfectly illogical, yes.

Q. I want to assume it for the purpose of this argument, whether it's logical or illogical. That would be 11½% on 70 million dollars, wouldn't it? A. Yes, sir, that seems to be right.

Q. And 11% on 75 million dollars. A. Yes.

Q. What, in this exhibit, indicates that that won't be the situation in 1928? A. There is nothing in this exhibit that shows that at all.

Q. What is there that indicates in all these exhibits that there is a different result? A. A lot of difference.

Q. What, for instance? A. Any person with any reasoning at all knows that 5% on our gross revenue is an

inadequate depreciation reserve, is an absolutely inadequate reserve.

Q. You have gotten along with it for a long time? A. We have skimped along on it. We have let depreciation accumulate to such an extent that we are in great need of an adequate depreciation reserve and must have it. With our present depreciation reserve that would mean a life of all our property of 75 years and no person would say that that would happen.

Q. It is the ultimate aim of the Company to secure a full fair return on its investment? A. I don't think that when we get into the real case and show the needs of depreciation and other items it will give us a full fair return on 10 cents.

Q. But is it your ultimate aim to get a full fair return? A. No, not in that sense.

Q. Would the ten cent fare in your opinion give you a full fair return? A. No, I think it will not.

Q. Have you any ultimate intention of attempting to exceed the ten cent fare? A. No, sir.

Q. What do you consider the full value of street railway transportation worth to the public? A. I think today, as compared to 15 years ago, it certainly is worth ten cents. The costs are more than they were at that time.

Q. What do you consider the fair value of street railway service to the user of the service? The limit of value?

(Mr. Howard): Isn't the answer obviously that? It's cost plus fair return.

(Mr. Tingley): No, I don't think so. I think the Supreme Court has held that it is not, Mr. Howard, and I think you know it. I can refer you to Mr. Markell's brief in case No. 1915 on that, Mr. Howard.

(The Witness): Mr. Tingley, to answer your question, I do feel that a ten cent cost to rider certainly should not be the limit as to any length of ride. When we get

beyond that we have got to begin to equalize the length of riding to some extent.

Q. Isn't it true that the only reason that the Company didn't apply long ago for a rate increase is that it apprehended that the increase might not mean an increase in revenue? A. It is not so.

Q. Why is it true that the Company has patiently undergone seven years of confiscation? A. The real trouble of the present conditions is that I promised to this Commission that I would try to work our way out on a 8-7½c fare, and I have tried entirely too long in my judgment.

Q. And that promise has gone by the board? A. It certainly has been by it long ago. We have gone by it three years now.

Q. Didn't Mr. France state in the 1924 case that the valuation would justify a fare that the Company couldn't hope to collect? A. I don't remember that he did.

Q. Mr. Emmons, do you think it's fair to adjust a valuation backwards, from the date of valuation to previous years? In other words, if you have a valuation made by the Commission on January 1, 1925, do you think it's fair to adjust that back to a valuation for January 1, 1920, by simply subtracting the improvements and betterments that were made in those five years? A. We felt that was the only fair way to do it.

Q. Do you think that gives you an accurate valuation as of the earlier date? A. I think this; that were the actual value determined in those years, at which times many things were higher than now, the valuation might have been made, yes.

Q. That's a hit or miss way of getting at it? A. No, we feel that is the nearest way you can get at it.

Q. It couldn't in any sense be called an exact way? A. As exact as you can. Certainly if you can build up your valuation in that way, and it's fair and I think we will all say that it is, then the converse must be true. You can deduct from your valuation in a similar manner.

(Mr. Howard): You couldn't carry it back to 1913, that way, could you?

(Mr. Tingley): No, I was thinking about that. Suppose you took the valuation made in the case of the Telephone Company and tried to carry it forward in the 1916 valuation that way. You would get a wide discrepancey.

(Mr. Markell): If you didn't strike abnormal periods. That's easy enough.

Q. What does the 1926 debit of $111,776.95 include as shown on your exhibit?

(Mr. Howard): This is in exhibit No. 6?

(Mr. Tingley): Exhibit No. 6, third sheet.

A. Oh, that was largely due to the auditing of the books by Haskins & Sells, and the charging to profit and loss account of $100,000.00 due to destruction of cars, which they otherwise set up to the extent of $900,000.00.

Q. Was the permission of the Public Service Commission ever gotten for that? A. Not that I know of. But that's a case of property not used. These cars were admittedly unfit for use in the valuation; are not included in the valuation, but still were in the road and equipment account.

Q. Do you know that the rules of the Commission require that the consent of the Commission be obtained before that transfer is made? A. No, that's new to me. I apologize to the Commission.

Q. Taking Exhibit No. 7, Mr. Emmons, why do you estimate an additional decrease in revenue of 2% after September 15th. A. That was just because we assumed that there might be, with all the agitation that there has been in the various papers, it was assumed that there might be a temporary loss at least of some riders, due to the increase in fare.

Q. Do you think there is a considerable amount of falling off due to the application of the ten cent fare on the part of the public. A. There is no doubt about that.

Q. You thought that it had not affected August riding in any way? A. I don't think it has.

Q. But you think it will affect riding in the remainder of the year to the effect of 2%?

(Mr. Howard): That is if the increase is granted.

(Mr. Tingley): That's right.

(The Witness): I remember when the seven and a half cent fare went in, through the leadership of some people here, they put out posters, "Ride with me," and all that, and it carried for a few weeks, and it had a temporary effect.

Q. On what experience was the 2% figure gotten? A. It was not experience, it was simply a guess.

Q. It might as well be one or six? A. It might as well be one or the other.

Q. Ten cents was the fare that was estimated as the fare effective September 15th? A. Yes, sir.

Q. Is that the fare that the company thinks that the emergency requires? A. That's the fare we feel is necessary to bring this year out to the basis as a whole to give us the credit that we should have.

Q. What is the emergency fare that you want? A. Ten cents.

Q. Ten cents? A. Yes, sir.

Q. Well then was Mr. Markell mistaken when he said in his opening statement that you only wanted part of the whole in this emergency case? A. We are asking for no change in any other thing but the ten cents. In the other case I think we will have to consider the question of commutation, the question of overlaps and a great many other things.

Q. So that this emergency application is for an immediate ten cent fare with an increase of only one cent in the half fare, that's correct isn't it? A. That's correct.

Q. And no change in the commutation rate? A. No.

Q. And the permanent fare involves a ten cent fare and a probable further increase in the half fare and an increase in the commutation rates? A. No, I haven't in mind any increase in the half fare. We do feel there should be some thought and study given to the commutation rates with an increase in the present commutation rate which would be in line with the increased rate of fare.

Q. So when Mr. Markell says that the company only wants a part of what it would ask in the permanent rate case, in order to get what it was entitled to, what he meant was he wanted ten cents now, but more later? A. Ten cents on the cash fare now and then an adjustment of these other things as we go through the real case.

Q. I see.

EXAMINATION SUSPENDED.

NOTE: The Commission then adjourned for the purpose of taking a recess.

AFTER RECESS.

Thereupon:

**C. D. EMMONS,**

a witness of lawful age produced on behalf of the Applicant, having heretofore been duly sworn according to law and whose examination was suspended for the purpose of taking recess, resumed the stand, was examined and testified as follows:

(Mr. Howard): With Mr. Tingley's permission, Mr. Emmons referred to an exhibit that we didn't have sufficient copies to file when he was under direct examination before recess, and we have these now, and if Mr. Tingley will suspend his cross examination a moment I will have that filed.

Mr. Emmons, you referred in your direct examination to a calculation which you have had prepared to show I believe what would have been the result for the year 1926 if fares had been reduced for that year to four tickets for a quarter and if it had resulted in an increase of business sufficient to raise your gross receipts for the same amount. Have you that exhibit here now?

(The Witness): Yes, sir.

(Mr. Howard): Will you file it with the stenographer as exhibit No. 19.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 19.

(Mr. Howard): You might devote just a word or two to explaining it.

(The Witness): This exhibit was to show what would be the estimated revenue passengers, operating expenses and net income for the year 1926 on the basis of four tokens for twenty-five cents in place of two tokens for fifteen cents, and on the hypothesis that the increase in revenue passengers would be adequate to maintain gross receipts at the same level, the result of the figuring being that using seven revenue passengers, assuming seven revenue passengers as the proper leading standard. In the first place the result of the computation is that you get the same revenue that we get now.

(Mr. Howard): That's the hypothesis.

(The Witness): Yes. It would require forty million five hundred and forty-eight thousand five hundred and thirty-seven more revenue passengers or 18% increase. Then with that number of revenue passengers and on the basis of seven revenue passengers per car miles as the proper loading standard, the car miles needed would be 265,804,170, the car miles needed to carry those 265,804,170 revenue passengers would be 37,972,024 car miles, or an increase over 1926 car miles of 2,267,441.

The revenue passengers carried per car mile in the year 1926 were 6.4, so that really gives us quite a lot less car miles than we would have if we used the revenue passengers per car mile for the actual year. The result of this is, in giving the actual cost of the operation for per car mile operations that instead of $1,010,000.00 net income we would have had $436,738.00.

(Mr. Howard): So, in other words, what that exhibit shows is if such a reduction in fare had resulted in increasing riding of 18%, enough to bring your gross rev-

enues up to the same, you still would have had a net of only $436,738.00 instead of one million and odd which you did have? A. That's correct, yes, sir.

(Mr. Howard): That's all.

Cross examination continued by Mr. Tingley:

Q. Just taking this last exhibit first, so we can dispose of this exhibit No. 19? A. Yes.

Q. Do you attach any significance to this in the present case as an emergency? A. Just as a curiosity to see how many more people you have to have ride to make the difference.

Q. Mr. Emmons, did the Company have in mind at the time the petition in this case was filed the fact that it wanted ten cents as an emergency fare? A. We had in mind that we needed ten cents as a permanent fare and it would require ten cents in order to bring this present year out with a net income that would be at all to our credit.

Q. Did the company have in mind the fact that it intended to apply for an increase in commutation rates in the permanent fare case? A. Not specifically, other than pointing out to the Commission rather an inequitable situation, not only the commutation rates but the overlaps. We think both of them should be given consideration, and we expect in the permanent case to lay before the Commission the facts of the commutation rates, their purpose, the extension of the overlaps and the entire story so that the Commission then can make up its own judgment as to whether anything should be done, or whether anything should be done, what should be done.

Q. Just before the Commission recessed at noon, you explained Mr. Markell's statement that the Company was asking for less than it was entitled to in the present case by saying that in the permanent case, application would be made for an increase in commutation rates, is that correct? A. No, I didn't say an increase in commutation rates. I didn't mean to say that. I meant that we would show that the commutation rates then on a ten

cent basis would not be equitable at the present rate of four and a half and five cents.

Q. Is that the explanation of Mr. Markell's statement that the company in the emergency case is only asking for part of what it is entitled to in the permanent case? A. I think Mr. Markell's statement is merely this; we expect to show the facts and our needs here. I have shown an exhibit that it will take ten cents with no change in the commutation or school ticket, with a change to five cents for the half fare, it will take ten cents to make this year come up and give us a credit position. Now what we are here to do is to give the Commission the facts and ask the Commission to do the best they can for us.

(Commissioner Harper): Are you asking for a fare that will make up all past deficiencies?

(The Witness): Not all past, no. I am asking for a fare that will help out this year, and one reason for an emergency fare is that after the day is gone that you can get the fare you cannot collect the back fare. We have failed to meet our needs for years and years and every day means that much worse. Now we put in this exhibit to show that a ten cent fare from September 15th on would give us less than a million and a half dollars net, and we feel we need that for the purpose of credit. Of course if we can't get the ten cents, we will not have that result.

Q. Mr. Emmons, does the company intend to take the position in the permanent rate case that commutation rates ought to be increased to make the situation equitable? A. I think figures will show that slightly necessary. We haven't figured that out yet. I am unable to state definitely that that will be our position.

Q. Now I refer you for a moment to a pamphlet entitled "Ask Me Another About the Carfare." "Twenty Questions and Answers to the Facts You Should Know to Understand the Street Car Situation in Baltimore." United Railways & Electric Company of Baltimore, August, 1927." That was issued by the company, wasn't it? A. Yes.

Q. Question 17, "Will Commuters Who Now Use The

Commutation Books Have to Pay The Increased Fare?" "A. No. Commutation Rates Will Remain as they are at present."

Will that be the position of the company in the permanent rate case? A. I think not.

Q. Was that a misstatement then? A. Not at the present time, no. It's not a misstatement for the temporary case.

Q. But it is a misstatement as applied to the permanent case? A. We expect to show the Commission the facts, of the length of ride, the use of commutation tickets, the rate of commutation tickets, and the abuse of commutation tickets, the same as we expect to show the abuse of overlaps.

Q. Were the questions and answers framed in that way, so as to hold opposition on the part of suburbanites in the increase to the temporary fare? A. No, I don't think it had any consideration of that at all. That was the answer as of the present time.

Q. It's an entirely definite statement? A. It is, yes.

Q. Then so far as the petition is concerned the words, "immediate substantial increase" and the words "ten cents" means the same thing in the opinion of the company? A. That is as far as our needs, and we want to show the Commission our needs, and of course the Commission will make their decision as they deem best and proper.

Q. Referring for a moment to a newspaper full page advertisement entitled "A Frank statement to the public about the carfare emergency," that was authorized by the company? A. Yes.

Q. "No change is asked in commutation rates for suburban riders. They will stand for the present." A. It says the carfare emergency and they will stand for the present. That is right.

Q. And you would call that a definite statement? A. That's right, yes. That has entire reference to the emergency question.

Q. Does it state that it has? A. It says so. You read it yourself; in the beginning.

Q. Does it state that it has no application to the ten cent fare case? A. You read the first article in regard to that emergency case.

Q. Did it say that it had no reference to the ten cent car fare case? A. Not specifically, no, but it states just what it does.

Q. This Exhibit No. 7 shows a decrease in operating expenses of 2% of the last five months, doesn't it? A. We so figure it, yes.

Q. In the original draft of the exhibit, which was submitted no decrease was shown, was there? A. No, because we were taking a decrease anyway and absorbing the 2% increase to the men, and in refiguring this, I said we better figure that we will make further decreases and figure an additional 2%.

Now you understand if we keep the same figures as last year, we are absorbing the 2% increase, to our employees so we then took——

Q. That's a voluntary increase, isn't it? A. That's a voluntary increase, yes.

Q. There is no emergency effecting that? A. Not as far as that is concerned, no.

(Mr. Markell) That's already in force?

(The Witness) That's already in force.

Q. I was talking about further increases? A. The one already in force is what I meant. If we make the operating expenses for the last six months of this year, the same as the operating expenses, for the last six months of last year, we would then be absorbing in the operating expenses this year, the 2% already given, and then we put an additional 2%, so we would feel we were at least figuring conservatively in this.

Q. Why should you estimate only a 2% decrease when there is a 4% decrease in revenues estimated? A. Because it's been our experience if you make any per cnt.

decrease in revenue the best you can do is to cut your operating expenses about half.

Q. About half? A. Yes.

Q. An increase in cost under the power contract, is shown as $120,000, is that correct? A. Yes.

Q. On the original draft of the exhibit it was shown as $80,000? A. Yes.

Since we made the original draft we have gotten figures from the Gas Company that make this $120,000, and under certain conditions it might be $130,000. I used the 120.

Q. That isn't payable during the year, is it? A. It would be payable at once. As we go thru, but the figures have not yet been finally determined, but that is the Gas Company's set up and our own engineers are working at that at the present time.

Q. When do you estimate that that will be payable? A. It's due, part of it is due already, that is if this stands, and I am afraid it will, because I once before went thru an arbitration to offset a charge very much like this and got beat on it and if this stands, then eight months of it is already due.

Q. The first seven months show $34,000 was charged for income taxes, or was estimated for income taxes for that period? A. That's what it shows, yes.

Q. And you estimate $21,642.00 for that purpose for the entire year? A. Yes.

Q. And then oughtn't there to be a credit to income for July? A. Well we have taken credit in the last five months off of the total.

Q. But you didn't figure it for July? A. No.

Q. Instead you charged July with $5,000.00. A. Yes, that's what we started to set up before we knew we were going to go so badly.

Q. If that $34,000 estimate is correct, that would indicate a net income of $800,000 for the year? A. On that

basis, yes. We started the year out hoping that it would be correct, and therefore we set up that amount.

Q. Now your estimated decrease in passenger revenue for the past five months is 4% and that's taken from Ex. No. 1 isn't it? A. And our later experience, as I told you this morning, I am fearful that it will not be enough.

Q. It's based primarily on Ex. No. 1, isn't it? A. And the other exhibits.

Q. 4% was put in this exhibit at the time, that exhibit was originally prepared and before August and September figures were in? A. It's from that and our later experience.

Q. And if that figure of 4% is correct, of course the entire exhibit would be effected? A. In a way. I think it's too low. You perhaps think it's too high, so it's a question of judgment there.

Q. Now the exhibit shows an increase in income of $1,000,000 for three and a half months, if the increase is granted, doesn't it? A. Practically so, yes.

Q. And at that rate what would it be for a full year period? A. But that has not taken into consideration these other items.

Q. I understand that. A. Well, four times the million is four million, sure.

(Mr. Markell) It's three and a half months.

(The Witness) Well, three and a half. I see no connection with that myself.

Q. Take Ex. No. 8, Mr. Emmons? A. Yes.

Q. Do you understand that the Commission guaranteed or assured the Company of a net income of $1,182,142.00 for 1924? A. I do not.

Q. Do you think the failure to obtain a net income from the Commission constitutes grounds for an emergency relief? A. No, but it shows a failure to properly estimate, or being over-optimistic as to results.

Q. In this exhibit also the 1927 shortage is based on a

decline of 4% in passenger revenue for the second six months? A. Yes.

Q. So if that is erroneous the exhibit would be affected to that extent? A. Either way. If that percentage is greater it will be less, if that percentage is less, it will be greater.

Q. Now the first draft of the exhibit showed a shortage in 1927 of $734,248.00, didn't it? A. Yes, a difference of $41,000. there.

Q. And this present exhibit shows $693,142? A. Yes, that's a change in refiguring on the 2% decrease in operating expenses, makes a difference of $41,000 in the net income and also a difference of $41,000 in that difference.

Q. Now taking Ex. No. 9? A. Yes.

Q. I assume that your answer would be the same as to this exhibit; that you don't understand that the Commission guaranteed or assured to the Company a net income of a million or a million five? A. The Commission so said in their opinion.

Q. The Commission said in the 1919 case.

"But in fixing $1,000,000 as the minimum balance to surplus which the Company should be permitted to earn under existing conditions, this Commission is not to be understood as undertaking to guarantee such fund to surplus at the expense of the public at any and all hazards."

Mr. Emmons, do you think that shortage from the net return estimate of a Commission is ground for emergency relief? A. Continuous shortage and the rapidly falling off of passengers at the present time, I think is. Just the falling off of the shortage is not in itself ground, but other conditions make it a part of the ground.

Q. Now the exhibit shows that for 1923 the shortage was only $23,734, wasn't it? A. Yes, sir.

Q. Shortage from a million? A. Shortage from a million, yes.

Q. For 1924, it was only $32,032? A. Yes.

Q. For 1925, $19,390? A. Yes.

Q. For 1926, it exceeded the million by $10,054? A. Yes.

Q. Now taking Exhibit No. 10? A. Yes.

Q. Your position as to that, I assume is the same? That the Company was not guaranteed by the Commission a gross income of one and one-third times its fixed charges? A. Yes.

Q. What was the percentage of shortage below the one and one-third times fixed charges for the period from 1920 to 1926 as shown by the exhibit? A. The percentage less? About five per cent.

Q. And as to this exhibit also, your position would be that failure to earn a gross income in the ratio estimated by the Commission is not a basis for emergency relief? A. One of the reasons. I say not in itself, not in and of itself.

Q. Now Ex. No. 11 we will skip, because that is a check of our exhibits, and I would sooner take it up in our direct testimony. Take Ex. No. 12? A. Yes.

Q. This exhibit is designed to show a decrease in short haul and an increase in long haul business, isn't it? A. Yes, sir.

Q. Actually it doesn't conclusively establish that, does it? Because of the number of short line riders who ride on most of the lines taken as long haul lines? A. You couldn't separate those. These have to be in themselves the ones that originate on these lines. Of course. If they take a transfer and make a long line haul afterwards, that wouldn't be separated.

Q. You think that the decrease in riding is due largely to automobiles? A. I do, yes.

Q. And do you think that automobile competition effects long haul riding more than it does short haul riding, but that there is more long haul riding and therefore the long haul figures increased while the short haul figures

decreased? A. That is, there is a great increase in long haul riding and there is an actual decrease in the people in the short haul district.

Q. You don't think that this exhibit indicates an increase in walking on the part of short haul riders? A. I do not.

Q. If there is such an increase in walking on the part of short haul riders, would an increased fare improve the situation? A. I don't think it would have any material affect.

(Mr. Howard) Which, the increased fare?

(Mr. Tingley) Either.

By Mr. Tingley:

Q. Do you think that this exhibit indicates that the problem that the Company faces is that of attracting short haul patronage again? A. No, I do not. I think this would be the same result were the fare even less. I think that is susceptible of proof thru the figures of Brooklyn and San Francisco, both five-cent cities, due to their arrangement with the city and they show the same kind of a decrease in revenue passengers that we do. I haven't a division between short and long haul passengers, but the rate of fare doesn't seem to have made any difference in the decrease in cities on the five-cent basis, or seven and a half or ten-cent basis.

(The Chairman) Mr. Emmons, sometime ago you read a statement from a paper you had before you, a page with a lot of red dashes marked on it, indicating cities, I believe.

(The Witness) Yes.

(The Chairman) Will you tell me what year that was for?

(The Witness) That was a comparison for the month of June this year.

(The Chairman) That showed that the riding had fallen off materially in all of those cities?

(The Witness) Yes, sir.

(The Chairman) And in Baltimore it had fallen considerably less than in some other cities?

(The Witness) That's right, yes. And more than some other cities?

(The Chairman) Yes. The point I was after was to find the time that that represents.

(The Witness) It was June of this year.

(Commissioner Harper) I believe you said, Mr. Emmons, referring to that same exhibit that Pittsburgh showed a less falling off than most of the cities, and that's a city where the weekly pass is in effect.

(The Witness) Their statement gives credit for 18 rides per weekly pass. Pittsburgh is 1.26 falling off, but there was Chicago surface lines with only .24%, and Brooklyn on 1.24%.

(Commissioner Harper) What was Pittsburgh's falling off in comparison with Baltimore.

(The Witness) Pittsburgh was 1.26, Baltimore 3.24.

Q. What's the fare on the Chicago surface lines, Mr. Emmons? A. Seven cents.

(Commissioner Harper) Have you considered whether or not, in asking for some emergency relief that it might be possible to remedy the condition by trying out a weekly pass?

(The Witness) We have considered it, Senator, but we think that the question of it is entirely too much of a gamble.

Q. Isn't the increased fare a gamble, Mr. Emmons? A. We do not think so. We think that these figures, as I read you this morning, shows an increased fare brings a direct increased result as to revenue.

Q. Don't statistics show the same thing as to weekly passes? A. No, it does not. I gave you Pittsburgh weekly pass, which doesn't look to me that it's done anything remarkable. Here is what happened. In the year 1926 over 25 they had a decrease of revenue passengers of 1,581,435, and that is giving the weekly pass credit

for eighteen rides. During the same period we had an increase of 1,020,106 without the weekly pass. They had to, because of the weekly pass, increase their car miles, 1,695,000 we were able to decrease our car miles 418,000. They had a loss in gross of $113,000.00, we had an increase of gross of $79,000,00, so it doesn't look to me as if the weekly pass has done Pittsburgh any material good.

Q. How about Norfolk? A. I gave Norfolk for last month. Norfolk during the year 1927 to date, the first seven months as against 1926, shows an increase in gross passengers of 3.8%, an increase in passenger revenue of 10 per cent.

Q. To spite an increased fare? A. To spite an increased fare.

Q. Mr. Emmons, haven't most cities which proposed such a radical increase in fare as a two and a half cent increase, to ten cents, given the public the benefit of some such gamble as you call it as a five cent Sunday ride or the weekly pass? A. Boston did not. Boston went to straight ten cent fare.

Q. That was done under your administration there, wasn't it? A. It was, yes.

(Commissioner Harper) Mr. Emmons, when you face such an emergency, do you think it justifies the granting of a substantial increase in fare? That increase necessarily falls heavier on the short rider. Wouldn't it be equitable to try to adopt some plan to give the short rider a chance to get equitable fare and at the same time increase the long riding.

(The Witness) That, Senator, must get into the zone system, because you couldn't give the short line rider.

(Commissioner Harper) I am still talking about the weekly pass.

(The Witness) But the long line rider would have just as much right to use the weekly pass as the short line rider, and a man might originate on a short line and be one of the longest riders we have.

Q. You could differentiate, could you not? A. Not very well.

Q. Why not? A. Then you would have to get into a zone schedule of some kind.

Q. Only as to the pass? A. I don't see how you could possibly do it.

Q. You would only recognize the pass when it got past a given point? A. I don't think it could be worked out.

(Mr. Markell) It's as hard to work out as the gasoline refund in Baltimore. Nobody can use it.

Q. It's done in other cities. A. Not a limitation of the weekly pass as you are proposing it.

Q. Are you sure of that? A. I don't know of it.

Q. There has been some? A. Not that I know of it being limited.

Q. At least they are reported in public utility reports.

(Mr. Howard) You mean zones for the weekly pass and nothing else.

(Mr. Tingley) Yes.

(Commissioner Harper) What I had in mind is there are a great number of riders who must ride the cars. It's a case of necessity with them.

(The Witness) Yes.

(Commissioner Harper) And if you feel that there must be an increased fare oughtn't those people who have to ride be given an opportunity to get an equitable rate?

(The Witness) The difficulty is giving them a rate that will give a return that is necessary. I would only be too glad, Senator, if we had a sufficient leaway to try out a lot of these things, but we haven't and the fact is that after they start with a weekly pass, a man from Stone & Webster was telling me that they started out in a town with 30% of the riders taking the weekly pass; it finally got down to 20% and the only ones that used it were those that actually saved money by its use.

Terre Haute, Indiana, a weekly pass town, have finally given it up, because they found it had been abused. They found the number of users had diminished one-half, and

from the information I have heard it is apparently very much of a problem yet.

Here is a report, Bulletin No. 85 from the American Railways Association that in a summary it gives this as of June 1, 1926. Sixty-five cities now using the weekly pass. There are twenty-four cities had used it and had discontinued it. There are five now using the monthly identification card; seven that had used it and had discontinued it. There are seven using the Sunday and holiday pass, two had discontinued that. So you can see that the ones that had tried it have given it up.

Q. How is Mr. Feustel's Company coming out? A. Mr. Feustel's Company is in a very small town with an entirely one-man car operation. I happened to be in that town myself from 1903 to 1911, and the pass works greatly to his advantage, because of the one-man car operation, but his percentage of pass users is not great, but it really sounds good over there.

Q. It has worked out successfully there, hasn't it? A. He thinks so, yes.

(Commissioner Harper) You made a concession in the case of schools sometime past?

(The Witness) Very much so, yes.

(Commissioner Harper) Here is a case where you propose to put a flat increase on everybody?

(The Witness) But the school tickets.

(Commissioner Harper) Now ought not the regular rider, the fellow that has to ride twice a day at least, have some consideration, as opposed to the occasional rider?

(The Witness) Senator, if the gross receipts could work out enough to give us what we need I wouldn't mind and I would be delighted if they could ride for five cents, but the fact is that we have taken a figure like Mr. Maltbie took in the valuation case, if you will remember, we have taken the riders of last year at five cents, we have taken the car miles of last year, with the 1913 cost of operation, and we would have $6,000,000 of gross income instead of $4,000,000. If that situation could just be brought back to us, but the point is that we are more than

double in our own costs, and we have to find some method, some scheme to meet that. If we had plenty of leeway we would be only too glad to try those things out.

(Commissioner Harper) Pittsburgh don't seem to have suffered from the experiment.

(The Witness) I don't think they are happy about it.

Q. Isn't the difference between the weekly pass and the increase in fare to ten cents, the fact that the weekly pass gives the public a chance to co-operate with the Company, gives them a chance on a gamble? A. On weekly passes and so on, I am very much taken with the new form of what they call the nickel identification card, because that makes every person at least no matter how many times they ride pay a nickel. but that again is subject to abuse and makes a real decrease in earnings and it's only the person who really saves considerable by it that uses it. I don't know whether you understand the system or not, but it's on this basis.

Q. Suppose you do explain that in the record? A. That if you have a ten cent flat fare, you say that that man paying 10 cents can ride only 12 times during the week on your peak hour. Consequently he ought to pay you $1.20. Now we will give him a card that will give him a five cent ride, five times 12 would be 60 and we charge him 60 cents for this identificaton card. Consequently when he rides to work he pays a nickel, and every time he rides to work and back he pays a nickel. Now as long as he had ridden his twelve times, morning and evening, for the six days a week, he has paid his full rate of fare. Now if he wants to go out at night, to go to the movies, he pays a nickel and he gets all those other rides for five cents, but they must be off the peak hour.

Q. Is the Company willing to try that, Mr. Emmons? A. I am fearful of anything in our real emergency. I really feel we have got to get ourselves above water and then I would be willing to try anything like that, but we are so far below water that I am afraid to try anything that will materially cut into earnings.

Q. If any increase in rate whatsoever is granted, will you be willing to try it? A. I would not say that. If

there is a substantial increase, I wouldn't be afraid to try it for a little while, but I would want a very definite trial.

Q. What would you call a little while?? A. I think a trial of two or three months might find it out, but it would have to be on an increase that would warrant a trial.

Q. Now getting back to Ex. No. 13? A. Yes.

Q. That shows a loss of 3% on lines other than zone extension lines, doesn't it? A. Yes.

Q. What do you attribute that loss to? A. That was the same economic loss that we are suffering today. That's the reason I didn't read the finish of this the other day, Mr. Tingley. My voice had about given out and I thought it was evident. In order to adjust the zone extension loss as accurate as we could we said we would have to take out of those losses, the average loss of the other lines which is 3%.

Q. And that average loss you think is caused almost entirely by— A. I think that has got all of the late losses.

Q. Taking Ex. No. 14? A. Yes.

Q. That shows that the power service charge is higher in 1926 than in 1923, doesn't it? A. Yes, sir.

Q. What is the reason for that? A. 1923, we had the benefit of the original power contract, up until February 7, 1926. In 1911 perhaps you will remember there was a contract made with the Pennsylvania Water and Power Company by which our Company was entitled to 133,000,000 kilowatts of power at practically one-third cents. When we made the contract with the Gas Company we said we want to hold that right and we had that entitlement included in our contract until February 1, 1926, after which we lost it and had to lose that much power at a very cheap price.

Q. The contract of Feb. 1926 was not designed to affect a saving in power charge then? A. You mean the Feb. 1, 1921?

Q. No, the one in 1926? A. The contract that was made

with the Gas Company in 1921, in 1920 rather had to be made in two parts, one that gave us the advantage of that original fifteen year contract and then later it gave us power at cost plus 10%, which is very much cheaper than we could make it ourselves. It puts our load with theirs and is a much cheaper operation than if we had to have a power house of our own. We figure it would cost us half a million dollars more if he had to make power ourself.

Q. What is your increase in general and miscellaneous expenses due to in the exhibit? A. Part of that is due to group insurance that we have and other items of increase. I can give you the items.

Q. I wish you would. A. That's the increase of $95,000.00, General and Miscellaneous from 1923 to 26.

Q. The exhibit shows a net increase of operating expenses of $168,402.37, doesn't it? A. It does, yes.

Q. And that to spite the fact that less passengers were carried and less cars per mile operated? A. Yes.

Q. Is that the economies? A. It doesn't look like it on the face of it, but if we hadn't had economies in that increase would have been more.

Q. The only savings that are yours are in maintenance and taxes, aren't they? A. Maintenance and taxes.

Q. Do you think that maintenance was saved to the expense of the property? A. I wouldn't say yes to that. I would say it might be just deferred in this way. I still feel that we have our property in a good physical condition. We know, however, that we have today sixty miles of tracks that is over twenty years old, we know also that you probably can go out and find twenty miles of track subject to criticism that should come out.

Q. The tax decrease is due to a decrease in the rate of tax, isn't it? A. Partly that and partly a decrease in park tax, I think.

Q. That wasn't achieved through any effort on the part of the company? A. Not the rate of tax, no.

Q. Neither the park tax? A. Neither the park tax, no.

Q. Taking Exhibits 15 and 16, Mr. Emmons? A. Yes.

Q. Do you consider that the wage situation constitutes an emergency? A. I do not.

Q. When was the present arrangement that now obtains with the men as to wages made? A. Last December.

Q. What was that arrangement? A. That arrangement was that they should receive 1c an hour additional over the wages paid in 1926 for 1927, and an additional cent an hour for the year 1928. That was reached after a very long and rather hard conference on the basis that the men came in there almost to a unit to stand pat for three cents for the first year. We showed them it was absolutely impossible; that if they are going to co-operate with the system it was the best we could possibly hope to do, and for that reason, after making that arrangement for one year one cent an hour increase for 1927, and one cent for 1928 we also told them that if circumstances justified, and we had hoped then it might be through the increase of earnings entirely, that we would give them an additional cent making the three cents that they came in asking for.

Q. Was anything said at the conference with the men in December to the effect that if the company got a rate increase it was compelled to ask for a rate increase and a further increase would be granted? A. To go back December a year before that, the men came in at that time requesting more wages. We told them it was impossible to do that, and we felt it was the wrong time to ask for an increase; that we were trying to work the problems out and the men at that time wanted to come to the Public Service Commission to see if they couldn't get an increase in wages. We told them it was all wrong and we wouldn't stand for it at all, and then when it came to the question of asking for the three cents, and if you had been in labor conferences you know the difficulties we have, it was finally adjudicated in that way; that we would give them a cent the first year, a cent the second year, and make up a cent the third year if we could make it out of earnings, and if we had to come for an increase it would be included in that request.

Q. Was the statement made in that conference that the company would get along with the present rate of fare? A. We said we were going to try to work it out. We had promised to do it.

Q. Referring to the trolley news entitled "The Story of Baltimore Street Cars, Chapter 2, Wages of Baltimore Street Carmen," that was issued by the company? A. We have a man in charge of that and it was issued by him. There is some editorial license in that I guess.

Q. I find the statement there? "Baltimore is a city of comparatively low living costs and the wages of street carmen as well as the wages of many other workers have been based upon that fact." That's true, isn't it? A. That's true. That's the reason they have been held down so.

Q. If a graph were made, wouldn't the wage level of the men be shown at about the line showing the cost of living? A. It would, excepting there is one part of the graph that shows that the cost of living was ahead of the men during a certain part.

Q. When was that? A. That was I think 1917, 18 and 19.

Q. Yes. A. But the fact is our men are very keenly alive to the fact that the carmen in other cities get grossly more than they get and also keen alive to the fact that in Wilmington they get 56c and in Washington 58c an hour.

Q. There is also a statement about that in the same issue of the Trolley News: "Baltimore Car-men get a maximum of 53c an hour. The men in Wilmington, Del., get 56c an hour, while those of the Washington, D. C., street cars get 58c an hour. Even so the earning possibilities in Baltimore under its operating conditions are greater than in other cities, even at a higher rate of pay."

That's true, isn't it? A. I don't know that it's true in other cities, but I think what the Editor had in mind there was some cities that would only permit an eight-hour day. Our men work a ten-hour day.

Q. This further statement is made:

"However, even at 53c an hour, the wage rate of Baltimore car-men has increased faster than the cost of living in Baltimore."

That's correct, isn't it? A. That's true.

Q. When a street railway is suffering from a depression that may prove to be temporary do you think it's fairer to cut all salaries, including those of officers, pending the emergency or to ask for an increase in rates for the partial purpose of increasing wages? A. We do not think this is a temporary reduction in income. We think the automobile is here to stay. We don't think it's due to business depression, but to a very little extent.

Q. As an evidence of belief in the existence of an emergency do you think it would be fairer to cut all salaries as the Gas Company did in 1921 before asking for an increase? A. We did that ourselves in '21 or '22. I have forgotten what it was. That was to tide over the places at that time, but this is a permanent thing. That was a real business depression at that time. This is a permanent fixture with us.

Q. Nothing of that sort is contemplated now? A. Not at the present time.

Q. If an emergency exists, don't you think the most stringent economies possible should be effected? A. We think we have, unless you call that an emergency and should be done.

Q. Do you think increase in wages is an economy? A. I think in the end it is, yes; because it keeps your men satisfied. A well trained motorman and conductor is a real asset to your company.

Q. Have you any reason to believe that the men won't cooperate with you if an emergency reduction is refused in the same way that the Company has always co-operated with them? A. I certainly shouldn't want to be the one to ask them to do it.

Q. If an emergency increase is necessary don't you think it ought to be the smallest amount sufficient to tide over the present situation? A. We tried to figure what it is necessary to have for a creditable income for the year.

Q. Turning to Ex. No. 17? A. Yes.

Q. That exhibit shows Baltimore as the 4th city in point of gross income, doesn't it? A. Yes.

Q. And the third in ratio of gross revenue to operating revenue? A. Percent?

Q. Yes. A. Oh, you mean gross income?

Q. Yes. A. Yes.

Q. And that in spite of its being the highest in point of taxes? A. That is right.

Q. The fare is shown as one of the highest, isn't it? The present fare? A. No, our statements show that we are—

Q. Tie for third aren't you? A. Yes, but our average fare as shown on that first exhibit is not the fact that we are one of the highest. This looks like it might be so.

Q. Isn't it true that conditions in different cities make comparisons of this kind almost impossible? A. It's hard to compare, it's rather difficult to compare them, yes.

Q. For instance, take ways and structures, Boston, Cleveland and Washington are shown as being higher than here. Boston has an elevated railway system that makes it more expensive, doesn't it? A. It is expensive, yes.

Q. And the underground wires in Washington would make that city more expensive? A. That's true.

Q. And the Cleveland figures include depreciation, which is higher than that of Baltimore? A. Yes.

Q. The same would be true as to operating ratio, that depends on revenues, doesn't it? A. Yes.

Q. So an increased fare would greatly effect your position in the scale? A. In the per cent of operating, yes. Not in the sense per car mile.

Q. Something was said, I believe by you yesterday to the effect that if an increase was granted, any increase whatsoever, improvement would be made in the service

afforded to the public? What improvement would you make? A. I explained this morning I think that we had to cut schedules where we had over a ten minutes headway between cars, and we felt that should be reduced to at least 10 minutes on all lines.

Q. Is that the only improvement? A. No, we have other things that we would want to make better.

Q. What for instance? A. I haven't the different things but that would depend on traffic studies.

Q. You have no definite program on that? A. No.

Q. Now taking Ex. No. 18. A. Yes.

Q. That shows Baltimore as the sixth among nine large eastern cities, as to the average amount of fare paid, doesn't it? A. That is right.

Q. What would be the position if Baltimore had a ten cent fare in effect? A. It would probably be second in this list.

Q. Boston has some six cent city lines, hasn't it? A. The Boston situation is this. The Boston System runs thru a lot of towns that are small cities in themselves and in that town they have put a small, what we would call a schuttle service of a one man car and charged you six cents, which has been changed to six and a half cents, but it was first put on as a five cent schuttle car, one man car service.

Q. They operate on some streets in Boston, just to a limited extent on that fare? A. They first put them on between the north and south stations, right in the town, thinking that a small schuttle car, at a small rate of fare would pick up a lot of people, but it hardly paid us axle grease.

Q. That fare is not reflected in this computation? A. Oh yes, that's the average receipts divided by the passengers?

Q. What is the average shown as? A. Otherwise Boston would be a flat ten cents.

Q. Boston is shown here as 9.26? A. Yes.

Q. And that reflects that six cent fare? A. Yes, that's right.

Q. There must be a considerable amount of that? A. They have a school children's fare that is also figured in here.

Q. Now the fare has been increased seven to eight cents in St. Louis, effective July 1, 1927, hasn't it? A. I believe it has, yet.

Q. How was the average fare of 7.22 arrived at for St. Louis? A. Given to us by the St. Louis Company.

Q. Why weren't these figures shown either with the taxes in or the taxes out? A. We tried to make them comparable with everything, except as far as the gross receipts tax were concerned.

Q. What would be the effect if all taxes were out? A. I think it would remain a good deal the same, because if you take the gross receipts tax out, the companies do not very much differ, but its the gross receipts tax that would put us first and St. Louis second, because they have a very high gross receipts tax.

Q. Mr. Emmons, taking the list of economies that was testified to yesterday, that has been effective since 1919, don't they consist very largely of curtailment of service? A. It isn't curtailment of service as much as fitting service to the conditions. For instance, the practice of the company used to be, and a great many companies over the country, that when you once start a car out from the car barn it ought to run to the end of the line in each direction. Traffic studies through the Traffic Department began to show that that was an uneconomical thing to do, so we began to fit the car miles to the business. There is a certain point where people begin to drop off the cars, and we began to cut cars back from that point. I wouldn't call that a curtailment of service. I would call it a fitting of service to meet the conditions.

NOTE: The Commission then adjourned for the purpose of taking a short recess.

AFTER SHORT RECESS

CROSS EXAMINATION

(Continued).

By Mr. Tingley:

Q. Whenever a service is cut to any extent at all, even it its only a cutting off of what is regarded as unnecessary service, there is some loss of revenue entailed? A. I wouldn't say so.

Q. Some riding? A. No, I wouldn't think so. Now for instance take the No. 10 line. When the Maryland Casualty went out there we found it quite possible to take care of that increased business by putting in a cross over at 40th Street and turning back cars there, and I wouldn't say that curtailment of service that way loses any business at all, because it is simply——

Q. That rerouting you would think caused some loss of passengers? A. It might have a little bit, but I would say it's very immaterial.

Q. To the extent that that was true, the economies wouldn't be such economies? A. We could find out what the loss was. I suppose the amount that might have been lost should have been deducted, but I think they are immaterial, Mr. Tingley.

Q. The rerouting was an economy instituted by the company, wasn't it? A. No, it was not.

Q. The increase in the advertising contract could hardly be regarded as an economy, could it? A. That was an increased economy due to negotiating a contract which gave us an increase of $44,000.00.

Q. You wouldn't call that an economy, would you? A. It goes in that line. You have an annual saving. It's an increase in income in that way.

Q. The same thing applies to increase in mail pay. A. That was quite a fight to get that, and our friend the deceased Mr. Maltbie had a wonderful hard time to convince the United States Government that we were entitled to it. I think that was the very deserving to be in this picture here.

Q. That was part of a national movement, wasn't it? A. It was part of a national movement headed by Mr. Maltbie. We started it here and it became a national movement through this National Electric Railways Association.

Q. If a ten cent emergency fare were granted September 15th, and it applied to commutation rates, what would be the effect as to commutation riding? A. Well, that's problematical, but if we were going to raise the four and a half cent commutation to ten cents right off the bat, it might have some effect.

Q. Mr. Emmons, taking exhibit No. 19 which was put in a few minutes ago? A. Yes.

Q. Isn't the estimated amount of income for 1926 on 1926 figures on four tokens for a quarter just about what you estimate you will bring in by your present rate of fare this year? A. For the rest of the year?

Q. No, for the entire year. A. That was made to equal so. What we wanted to find out was how many additional passengers we would have to carry to meet this.

Q. I mean this year, not 1926. A. I believe I did not get you straight, your question.

Q. Isn't the amount of estimated net income at four tokens for a quarter just about what you estimate your net income will be for the concurrent year if a seven and a half cent rate is continued? A. Yes. We have 489 against 436, yes.

(Mr. Howard) That's on the assumption, of course, that that riding were increased by 18%.

(Mr. Tingley) That's right. Thank you, Mr. Emmons.

(Commissioner Harper) Mr. Emmons, I just want to ask one question. In the earlier part of your cross examination, I gathered from what you said that you base your claim for an immediate increase of rate not so much upon the immediate existing status of the company, say on April first, as on what you apprehend is going to

follow from now on, for sometime in the way of decreased business?

(The Witness) It is because it has been going down so much, Senator, that we are getting in bad shape that I feel the little credit we have had has been slipping from us.

(Commissioner Harper) But it's not the immediate condition of affairs?

(The Witness) I think it's absolutely right on our backs, and my knowledge of the length of time it has taken to go thru a real case, and my fear that it will take several months, for a real rate case, makes me feel absolutely certain that we cannot afford to wait until we are thru with it.

(Commissioner Harper) I gather from what you said, it was the immediate future you had in mind, rather than the actual present condition?

(The Witness) Well it's the immediate future, but our present condition—we put this in the first of August, hoping to have some relief by August 15th, and here we have gone to September 6th, before we have a hearing.

(Mr. Tingley) But both August and September are improved showings?

(The Witness) I don't think they did. Look at the net of $30,000. It's the net that's worrying me. It isn't the revenue passengers, it's the net income.

(Mr. Tingley) The loss in that was less for both August and September.

(The Witness) The loss was a total net, wasn't it?

(Mr. Tingley) It does look as if it showed the turning point, tho, doesn't it?

(The Witness) No, I think not.

(Mr. Tingley) That's all I wanted to ask Mr. Emmons.

FOURTH DAY

Thereupon

**C. D. EMMONS**

a witness of lawful age produced on behalf of the applicant having heretofore been duly sworn according to law, resumed the stand, was examined and testified as follows:

CROSS EXAMINATION

(Continued)

By Mr. Clark:

Q. Mr. Emmons, I have read carefully through the petition filed by your company asking for an immediate increase in the car fare, and I find that the reasons you give for that application are two. First, that you may be able to provide adequate service. Second, that you may be able to meet your obligations. They are the only two general reasons you give, aren't they? A. Those are the two reasons we give.

Q. Now, haven't you in cross examination eliminated the matter of adequate service so far as the next two or three months are concerned? A. I think I have not. I have said that the way the earnings are going that we should further cut service, but we are not doing it in the hopes of having relief that would keep up from doing it.

Q. In other words, do you mean to tell the Commission that if you are not granted an immediate increase in fare that you will furnish the people during the next two or three months with inadequate service? A. I haven't said that. I said yesterday I didn't think the service was adequate as it is; that real adequate service in a city of this size was a ten-minute headway. We have cut to twelve. We don't want to have to cut further.

Q. Instead of inadequate service then, I will use the term present service. Would present service be affected in any way against the public? In other words, would it be less for the next two or three months, or until the permanent case is heard, should the Commission decide not to give you an immediate increase? A. I think to keep

our credit position, which is the second question, I think we will have to.

Q. I am not talking about that now. A. I say in order to keep our credit position I think we will have to. Those two would have to go together. Service eats up money. If service is taking all the money we have and more then you have to cut service. You simply have to cut the garment to suit the cloth.

Q. In other words, in the next two or three months, if the Commission does not give you an immediate increase, you will decrease either the quantity or quality of service below what it is now? A. I say that is quite likely and very likely we will have to do it.

Q. What do you mean by that now? That you will? A. I mean if our credit position requires it, we will.

Q. I am not speaking of the credit position now? A. Those two must go together.

Q. You mean to say that that little variation, whatever it might be, in service would disturb or affect your credit position? A. Very much. The result that we would obtain, yes.

Q. Will you tell us how or in what way you would change either the quantity or the quality of the service if this immediate increase is not given? A. Well, if you want an example its simply this. It looks like we may make $30,000.00 net in the month of August. We haven't the figures yet. Now, if a further reduction in passengers should eat up that $30,000.00 and we would go into a deficit figure in September, it certainly would hurt my credit, and if I saw it coming I would certainly cut the service to get that much out of it some way or another.

Q. Your net for the first six months was what? A. It's on these exhibits. I can read it to you. The net for the past seven months was $435,000.00.

Q. $347,000.00, wasn't it? A. I guess that's it. I haven't got it right here. It's in one of these exhibits.

Q. Now, the last half year is always more profitable than the first? A. It generally is, but it certainly does not look as if it will be this year.

Q. In 1924 your net for the first six months was only $343,000.00? A. Possibly so. I haven't it with me.

Q. Did you make any material change in the quality or quantity of the service? A. In 1924?

Q. Yes. During the later months of 1924 because of that earning during the first six months? A. That's evidently the reason we were in here in 1924 for an increased rate, because the net was falling off to such an extent that we needed an increase, the same as the present time. 1924 is the last rate case.

Q. It increased in 1925 to $369,000.00 for the corresponding period, and further increased in 1926 to $459,000.00 for the corresponding period, and now for the corresponding period of 1927 it falls back to $347,000.00, which is, however, still more than 1924. A. Well, you have that trait, have you not; that the first six months of '24 was on a seven cents basis and the first six months of '25 was on a seven and a half cent basis?

Q. Yes, I have all that. A. Well, that makes the difference.

Q. But I don't have this; that conditions are such that if you are not granted an immediate increase in the next two or three months that you will decrease the quantity or quality, or probably both, of service to the public? A. I think I have given you the answer. If we find that we are going to lose all the net we have, and going into a deficit, and not going to keep our credit, we certainly would have to do it.

Q. Don't assume impossibilities now. A. That is not impossible. $30,000.00 is very easy to slide away from.

Q. Is there any indication in Baltimore City that conditions are going to get so much during the subsequent months than they have during the previous months of this year? A. I think this line right here is the indications of conditions, and its continually getting worse. (Referring to applicant's Exhibit No. 11). The privately owned operated automobile is continually getting worse.

Q. Continually over the period of what time? A. Since the middle of 1919. Very seriously getting worse.

Q. But what is the prospect of any very serious fluctuation along that line for the next two or three months? A. I tried to get this to you and to the Commission yesterday; that if a thing is continuously bad and keeps on to infinity, there is no actual sudden drop, as you have been trying to say, but there comes a point, when something has to be done.

Q. Yes, and our opinion there is if anything has to be done that point is when this case is heard on its merits? A. I say the point has been reached before this and we should have had relief before this.

Q. Now they are the only reasons, such as you have given, that an immediate increase is necessary to provide adequate service for the next two or three months.

(Mr. Howard) Are you referring to what he gave in his direct examination?

(Mr. Clark) I am referring to his answers to my questions.

(Mr. Howard) You said you were confining him to one of the two points; adequate service.

(Mr. Clark) I am speaking now of adequate service, and I have been trying to get him to give me the reasons that would make the service less adequate either from the quantity or quality viewpoint if this fare is not increased immediately.

(The Witness) If you want the questions of sudden change in expenses, which also must reflect itself in service we are confronted with three sudden changes at the present time. One is the increase per kilowatt hour rate of power, another is the need of an increase in our accident reserve because of the increased cost of accidents, another is the increased assessment that the City has sent over to us in our tax bill, which in itself will take $75,000.00 additional.

Q. Yes. What can you assign as the reason for increased costs from accidents? A. The jury verdicts have been increasing right along. I think it's another part of the increase in living. It's just catching up to the increased cost of labor and everything else. The

juries begin to realize that the man that got 40c an hour before and gets 60c an hour now must be compensated at the present rate of wages. I think you are trying to say that there might be some discontent to the company reflected in the verdicts, but I am not sure that that is so, and I don't think it is so.

Q. And that is about the only reason you can assign? A. I don't know of anything else. I think our cases are tried as well as anywhere.

(The Chairman) Have accidents been any more frequent, Mr. Emmons? Do your figures show there have been more of them or are they of a more serious character in the last year, than they have been before?

(The Witness) As far as accidents per ten thousand miles is concerned we are about holding our record, but the curious part about the thing is a gradual increase, and it has been going on right along.

Q. You say going on right along? A. Yes, for quite a time. It's another one of those continuous things, not a sudden drop. If you will notice the accident reserve that we have had it has been gradually been going down for the last several years, and our accident cost per case has gradually been going up, and our number of cases have been gradually piling up. I have a memorandum here that in the month of July we settled 317 claims at a cost per claim of $98.65. In July last year we settled 329, about the same number of claims, but the cost per claim was only $61.14, an increase of about 50% per claim in that.

(Mr. Tingley) Do you think that skip-stop plan of operation has had anything to do with the increase in the number of accidents?

(The Witness) I don't. Our number of accidents per ten thousand miles of cars operated is holding just about the same as before.

(Mr. Tingley) Would that increase in the average amount of payment be attributable to the number of death cases that have occurred in the last year, the extraordinary——

(The Witness) No, I think not. No, I am quite sure of that.

(Mr. Howard) I think it's a matter of knowledge among us lawyers that it costs more to injure a man than to kill him.

(The Witness) The fact is that on the docket at the present time, there were 375 suits on the docket, July 31st, 1927, as against 310 July 31st, 1926. So in spite of our trying to keep them down they are gradually growing. I wanted to give that because those are some expenses that we have to meet and are shown in one of our exhibits with the exception of the $75,000.00 tax increase.

Q. I don't want to carry this phase of the investigation further than necessary, but it's really surprising that with all the improvements in operation looking to safety and a reduction of accidents, that you make the statement that accidents are gradually increasing? A. I did not make that statement.

Q. Well the cost to the company resulting from accidents? A. That's true, but all the safety devices you can put on doesn't interfere with the cost of the accident.

Q. Then the costs are increasing? A. The costs are increasing.

Q. And you say the reason for that is that the juries have applied the higher cost of living to their verdicts? A. I think that's true.

Q. Now Mr. Emmons what particular economic condition in Baltimore could you refer to that would cause you to conclude that the receipts or revenues of the United are going to receive any sudden or dangerous setback in the next two or three months? A. I have said several times that it isn't a sudden setback, it's a gradual decline. I gave the figures yesterday how since the beginning of the year, January came out very well, and the other months if you want me to go over that again.

Q. No, I don't want you to go over that. A. When we got down to the month of May we were back of every year back to 1920. That isn't sudden, Mr. Clark, but it's a very definite retrogression of our receipts.

Q. You are relying on the gradual decrease in the volume of business done? A. You can gradually go down in health and finally die, but there is no suddenness in it.

Q. Now is that condition peculiar to Baltimore City? A. No, I think other cities have the same trouble, and other cities are getting to a position that they have to go through the same trouble that we have here, asking for an increase.

We had an example the other day, the Washington Commission was here, they know, and my friends the President of the Capitol Traction Company told me that he will have to do the same thing. There are 24 cases pending now before Public Service Commissions for an increase in rate of fare.

(Mr. Tingley) How many emergency cases are there?

(The Witness) I am not sure that any of them have gone into an emergency rate.

Q. I was just about to ask you that question. As a matter of fact this is the only company of any size now before any Commission on an emergency plea? A. As far as I know, but the other companies may have gone in sooner, saw the result coming and made an application in plenty of time. This application should have been in last May.

Q. Do you know, Mr. Emmons, there is a generally lowering of the employment index about 3 points all over the country? A. I read just recently a statement from the Association of Commerce that there was nothing alarming at all about the employment index at the present time.

Q. No, nothing alarming. 3% ought not to alarm.

(Mr. Tingley) It shows that it is improving.

(The Witness) It is not the non-employment. If that were the case we should live through it in that way. It is the definite inroad of the private automobile in the business of the street railway. It has to in some way be overcome.

Q. You do know that comparing the first six months of this year with the first six months of last year that there is a lower index figure by about three points? A. I think that may be true. I am not sure.

Q. And you know that that index figure, however, is improving? A. No, I don't know that.

(Mr. Tingley) I think that report shows that.

(The Witness) I have it here.

(Mr. Howard) You are speaking on index or unemployment?

(Mr. Tingley) Yes.

(The Witness) It just calls attention to some improvement in the building trades, Mr. Tingley.

Q. Nothing more generally affects the quantity of riding than employment, does it? A. Sometimes unemployment tends to some additional riding. When men have leisure they sometimes ride when they wouldn't otherwise.

Q. But it is the employee class that you depend on for your regular rides? A. They are the regular riders without doubt.

Q. And when employment drops off, naturally riding drops off. A. To some extent.

Q. And they should more or less correspond? A. No, they certainly do not. Employment could go off 10% but riding would not go off 10%.

Q. No, not to the same extent, but in proportion? A. No, the proportion would have to be very small.

Q. Now, Mr. Emmons, do you know anything about the payroll index? A. I know what ours is. I gave it to you.

Q. I mean the general payroll index for the first six months of last year.

(Mr. Howard) Mr. Clark, might I ask what the pay-

roll index is, because I don't happen to understand the term myself. What does it mean? What is it?

NOTE: Pamphlet here handed to counsel.

Q. Well, the payroll index would probably follow the employment index, wouldn't it? A. Is that in Baltimore?

Q. General. A. General payroll index?

Q. Yes, sir. A. What does it include?

(Mr. Howard) What you hand me factory employment payrolls. Is it an index on factory employment?

(Mr. Clark) I was speaking of general employment.

(Mr. Howard) Then what is the difference between the unemployment index you have just mentioned and the general employment index you now mention?

(Mr. Clark) I am getting my figures from the Federal Reserve Bulletin.

Q. (By Mr. Clark) At any rate, Mr. Emmons, what I am getting at is this. There seems to be all over the country now a reduction in business and a reduction in employment, wholesale business and retail business and general employment, of around 2½ and 3%. You know that to be a fact, don't you? A. I know there is some reduction. I don't know the percentage.

Q. I think you have referred to this condition as a general condition and not applying only to Baltimore City? A. I have. Not in that way. I have said that other cities are suffering in the same way by reduction in passengers. I think it is due to the automobile, rather than unemployment.

Q. So you assign as the reason for the reduction in revenue passengers the automobile condition? A. I do.

Q. To what extent? A. Almost entirely.

Q. You do not at all consider the competition of walking? A. That I think is entirely negligible.

Q. Entirely negligible? A. Just negligible.

Q. The increase in the street carfare has, in other

words, absolutely no effect whatever on the 435,000 riders living within two miles of the center of Baltimore City? A. I didn't say no effect whatever out of 435,000 riders.

Q. Yes. A. Suppose you could bring a thousand in that would say that they walk on account of carfare, would that be any material percentage of it?

Q. I think your supposition is wrong. A. No, I think not. I don't think you could bring a hundred in that would say they walk.

Q. You said that any rate the competition of walking is negligible. A. I didn't. I said almost negligible.

Q. And you are basing your conclusions on that assumption? A. I think that is right.

(The Chairman) You think then, Mr. Emmons, it would be what the weather bureau sometimes says "A trace."

(The Witness) A trace, yes.

(Mr. Markell) That's a good way of expressing it.

Q. Mr. Emmons, we had automobiles in gradually increasing numbers up to 1920, did we not? A. We did. Very slightly, however, in 1920. That is the beginning of the big rise in the automobile business at that time, in fact it's so small that we didn't carry this curve up and down to show it (referring to applicant's exhibit No. 11).

Q. Nevertheless there was a gradual increase of revenue passengers from the time of the consolidation of the Baltimore Companies into the present company of 1899 up to 1920, that's true, isn't it? A. That is true. But now may we get this. That from 1900 to 1920, in twenty years, there were up to 100,000 automobiles registered, 5,000 a year. From 1920 to 1926 that one hundred thousand reached 267,000 in the six years, increased 167,000 or nearly 30,000. That's the difference, and that's what's made the trouble.

Q. Was that increase a sudden increase starting in 1920? A. Very much so. I would call that sudden.

Q. Well, we have those figures and we can cover that point in the argument? A. Yes.

Q. It was nevertheless a fact that the end of 1920 was when the revenue passengers started to decrease? A. And at the same time the automobile made a big increase.

Q. And you say at that same time was when the automobile made a sudden increase? A. Yes, sir.

Q. Now you have, Mr. Emmons, given this additional reason for your application for an immediate increase in fare; that you might be able to meet your obligations. With respect to that reason you have nothing to add to what you have already stated to Mr. Tingley on cross-examination? A. No, but I was rather interested in your statement, and I think it applies fully here. You saw the danger of losing passengers and the difficulty of regaining them. The danger of losing our credit is the difficulty in getting it back.

Q. How did you happen to throw in that analogy? A. I think the statement was very well put by you and I am glad to use it in the case of our credit.

Q. I don't want to start an argument with you, Mr. Emmons, but that doesn't answer my question? A. You asked me if I had anything further to say than I gave Mr. Tingley. No, I have not.

Q. Now then you allege in your petition five facts as well as I can gather them and I read it very carefully, that you relied on to support your application for an increased fare for these two reasons.

Now the first fact you give is the long period of years during which your petitioners revenues have been grossly inadequate. Now that fact is based on the question of value and return.

The second fact you give is that substantially increased temporary fares can be put into effect immediately and before any hearing without possibly resulting in a return in excess of what has been determined a fair return on the value of its property. So that fact is based on the question of value and return.

The third fact you gave in support of your claim was that past returns have not reached Commission estimates or forecasts in past cases. That also is based on the question of value and return. A. No, that statement is not correct.

Q. That past returns had not reached the Commission estimates or forecasts in past cases? A. That hasn't a thing to do with valuation or rate of return.

Q. It has to do with returns? A. Returns compared to what the Commission said we should have for the purpose of credit. The question of valuation and rate of return is not in that at all.

Q. I will leave out the word valuation, because you didn't have a valuation at that time. It's based on the question of returns. A. Not rate of return, however, get that straight.

Q. It's based, however, on the question of returns? A. Returns, yes. Not rate of returns.

Q. Now the part, that the necessary gross income, which is the return, has not been reaching what the Commission years ago said was necessary for the credit position of the company to be maintained. That also has to do with returns. A. If you limit yourself to the question of returns, yes.

Q. And they are all based on what you regard to be your rights in the matter? A. Our needs in the matter.

Q. And as Mr. Markell says your needs, and your rights growing out of those needs? A. Having the needs we need to exercise the rights to get our needs.

Q. Mr. Emmons, as a matter of fact even in this emergency hearing, isn't your chief contention that you are entitled as a matter of right to a higher return than you are getting? A. No, in this emergency hearing our chief contention is we need quick relief. We came over and filed this the first of August. We had hoped during August to have relief. We have now gone into the month of September and from the trial of a temporary emergency case like this it can well be seen how long a real

trial is going to take. We cannot wait until the end of a real trial to have some relief, and that's what we are urging and seeking for today.

Q. What would you put into the permanent case more than you have put into the emergency case to prove your permanent case outside of the question of depreciation? A. We have quite a lot of things that go into the permanent case when we get into that and I don't think we want to get into it today. I did think one item that is outstanding is the question of depreciation. We are allowed 5% on our gross receipts.

Q. I said excluding depreciation it would simply be what you have already put into this case in more detail. A. No, there are other items that haven't been mentioned in this case.

(Mr. Tingley) We can try that case when we get to it.

(The Witness) I just had fifteen of them, Mr. Clark, if you want to know what they are.

Q. What I am getting at, Mr. Emmons, is this, you only give one reason so far as I could see based on existing conditions, and that is using your language or about your language finally that for the current year 1927 revenue passengers are running 2.37% lower than last year, and that this percentage will probably be maintained throughout the year with a consequent loss in income. A. I would rather change that 2.37 to about 4. to 5. which should be done.

(Mr. Tingley) The petition was filed on August first?

(The Witness) Yes, that's the way we were running at that time.

Q. Now, Mr. Emmons, that fluctuation isn't anything unusual in operating affairs. A. The fluctuation is unusual because it has been so steady and seems so permanent.

Q. You had a fluctuation in 1921 of 6.24%? A. That was an absolute business depression that we looked upon in that way and at that time we made the same kind of

a cut in salary from the President down as Mr. Tingley referred to the cut in the Gas Company.

Q. In 1924 there was a 4.29%. A. There was a zone extension in 1924 that accounted for that. All the different zones extended.

Q. Do you know how many cities there are in the United States having a population of one hundred thousand or over? A. I am not sure. I have got a list of cities of four hundred thousand or over. You might give it Mr. Clark if you know it.

Q. I calculate there are about sixty cities in the United States of one hundred thousand or over. A. That may be true. I am not sure. I only have a list here of four hundred thousand or over, and I think there were twenty cities with four hundred thousand or over.

Q. Now, Mr. Emmons, do you happen to know how many of the cities in the United States of one hundred thousand or over population have a flat fare exceeding 7½ cents? I don't mean to say by that that our 7½ cent fare is a flat fare, but I am asking you that question; do you know of any city, if so how many? A. I do not know it in that way, but I do know that the American Electric Railway Association's statistics show twenty-one cities with a flat fare of ten cents, one hundred and fourteen cities of a population of twenty-five thousand or over with a basic fare of ten cents. Not a flat fare.

Q. Now did you mean flat or basic? A. I said flat at first and I say basic now.

(Mr. Howard) And you mean it not.

(Mr. Tingley) I would suggest we limit the present cross-examination to the emergency and get into the permanent case when we get to it. This is all a controversial matter and we can take care of it when we get into it.

(The Chairman) That was the statement of the Commission at the outset. This is purely an emergency matter and we hope to have the case confined to the question of the emergency and what constituted the emergency.

(Mr. Clark) Well, Mr. Chairman, my only reason for this is I didn't intend to carry it very far, there has been a great deal said about fares, there has been a great deal said by Mr. Emmons, and it's in the record, what fares are charged in other cities, and I think on cross-examination even something was said about that.

Now I know it hasn't very much of a bearing on the question of the temporary fare but it is directly in issue in the temporary case because Mr. Emmons is asking for a flat increase. Now I assume that when the Commission changes the present schedule, and I am assuming now that the Commission gives an increase over the present fare following the application of the company, that it would give a flat increase. In other words, it would be an increase to eight cents or nine cents.

Now I am trying to show that and I am not going to carry it too far that even in an emergency case, should the Commission come to the conclusion that an emergency exists, and relief should be granted them, that that relief should not be granted in the form of a flat fare. I propose to show that the flat fares are things of the past.

(The Chairman) But, Mr. Clark, would that be better, isn't that really a matter of argument, as to the advisability, which you suggest for the moment, that the Commission will grant an increase of fare? Of course that has not been determined at all, but whether if the company makes out its claim for relief in the form of an emergency fare, the form in which that release should take is a matter of argument, I might suggest, and I don't think that it's necessary to go into a great deal of testimony to bring out the fact that other cities do not have that fare. They are methods of which the Commission is entirely conversant. We have records here and exhibits have been submitted I believe which show the rates in other cities. I think the Commission may be trusted to exercise fairly good judgment on that matter.

(Mr. Clark) Yes, and for that same reason, and you will find it in our answer on protest, that all the facts in this case are practically existing facts and facts of record before this Commission, and we could have gone on with the argument of this case from the very beginning.

However, we have to make up a record in this particular case, more of a compilation than anything else, just a compilation from existing records.

Now if this had been a Court instead of a Commission we would have demurred in the very beginning, because assuming everything the United says in its application as a fact, they are not entitled to relief because of emergency reasons, but it has been decided that demurs are not proper before this Commission, and therefore we had to go to trial and spend days and days proving facts which if proved really do not determine the case in the end.

Now I think that we are drawing rather narrow restrictions when we say that the question of fares and what fares are charged and what rate schedules are and what the modern trend in rate schedules is, whether it's a schedule recognizing the frequent rider or schedule absolutely ignoring the frequent rider and so on, are absolutely not pertinent to this particular hearing.

(The Chairman) Mr. Clark, if you will permit me to suggest that on the application of the company the records in the past cases before the Commission have been made part of the record in this case, and there are hundreds of pages in those records to which the Commission can refer if it desires to show all this thing about this rate and the various rates and the combination rates and the weekly pass and everything else.

(Mr. Clark) Yes, I know. I have been over that. Now what I would like to show by this witness and have an answer to this question, I just want to prove, and I want it in this record, if the Commission, please, that the tendency today is not the flat rate, and you will probably not find anywhere in the United States a flat rate exceeding 7½ cents.

(Mr. Markell) He has just testified to twenty-one.

(Mr. Clark) No he hasn't. He said basic.

(The Chairman) In the discussion created by yourself and myself, we have probably taken up too much time, and we will have Mr. Emmons answer that question.

(The Witness) I think I did answer it. The records show that there are 21 cities with a ten cent straight fare. There are 114 cities with a basic straight fare, that's including the 21, and these basic fares have changes from ticket rates all the way from a dollar to eleven checks down to the lowest which is a little over nine cents. These are changing very much, Mr. Chairman, as I read yesterday from the "Rate Bulletin." I think Mr. Wolf has it also, Bulletin No. 85 of the American Electric Railways Association, showing the number of cities that had tried passes and the number of cities that had given them up; the number of cities that had tried identification cards and the number of cities that had given them up. They are all feeling for what Mr. Clark thinks is a final conclusion.

Q. (Mr. Clark) Not at all, because I don't think the Commission would consider that at all in the emergency case, but you are asking for a flat emergency fare, and I was just simply getting into the record the fact that flat schedules are not today the character of schedules that are being composed and adopted. A. We are asking that for two reasons, Mr. Clark, one is that it's required in order to give a proper result for the present year for the purpose of credit, the second reason is that we think when we get into our full case we can well substantiate the need of a flat fare.

(Mr. Tingley) Mr. Emmons, of those 21 cities that have a ten-cent straight fare, how many would you say has a population of over 100,000? Just one isn't it? A. Oh, no, those cities around Boston, Brookline for instance, Cambridge, they all have over 100,000 and are included in this list.

(Mr. Tingley) They are suburbs of Boston and some of them are suburbs of Chicago?

(The Witness) Yes, they belong to those lines.

(Mr. Markell) The smaller the cities the more short riders which we have been talking about.

(Mr. Clark) I am going to ask the Commission to allow me to ask these questions to test Mr. Emmons' frankness with the public in this matter.

Q. (By Mr. Clark) You have made a statement to the public, notwithstanding the fact that what you are asking for is a flat emergency and a flat full fare, you have made a statement in your pamphlet called "Ask me another about the car fare?" That there are 114 cities in the United States with a basic fare of ten cents. Now you are asking for a basic fare. Why didn't you either explain basic fare or limit your statement to the flat cities? A. We tried to make that a frank statement Mr. Clark and purposely put basic in so the public would not be misled that it was a ten cent fare city altogether. The statement is often made that certain cities are ten cent fare cities and there is a qualification. We wanted to show that there was a qualification when we put the word basic in there. That was purposely put in so that the public would not feel that it was entirely ten cent cities.

Q. You were asking the public for a flat fare? A. We are.

Q. And you are citing the fact that there are 114 cities having a ten cen basic fare? A. Basic fare.

Q. Now, you know they are just as different as they can be? A. I know it and I think the public know it.

Q. How many cities of all the cities in the United States have a ten cent fare? A. I told you twice.

Q. How many? A. 21.

Q. Flat fare? A. Flat fare.

Q. Ten cent fare? A. Ten cent fare.

Q. That's 21 of all of the cities in the United States? A. Of over 25,000.

Q. How many cities are there? A. I do not know off hand. About 225,000 Mr. Swaine says.

Q. 21 out of 225. Now Mr. Emmons just one more question along that line. The distribution of the population over the city, with respect to the center of the city should control the character of rate schedules shouldn't it? A. I am not sure that I get you. Do you mean the difference between our city having four directions to the

center as compared with other cities that sometimes only have three, like a city on a river bank, a city on a lake shore, and New York, pretty nearly has only one direction? I am not sure just what you mean.

Q. The distribution of the population from the center of the city, that is the number that live within two miles and that live within four miles and within six miles as the case might be, from the center of the city, should have a great deal to do with the character of the schedule adopted? A. If we were in England, it would have, but if the American cities desires and insist on one fare within the city limits from one point to any other point, it can't be done.

(Mr. Clark) Now, if the Commission, please, in the very beginning, I knew that practically on questions could be asked Mr. Emmons on cross-examination that would really bear on the question of emergency, except such questions as would show in Mr. Emmons' present application there are not emergency allegations. The questions that I have asked thereon the allegations, that Mr. Emmons has placed in his application, and I don't want the Commission to conclude that my judgment is that anything that I have asked this morning on cross-examination has a thing in the world to do with the temporary rates, not a thing in the world, I have simply cross-examined him to a small extent on the allegations that have been made and on the testimony that has been put into the record. Now, I am not going to extend it any further.

(Mr. Howard) In other words, you don't waive your demurrer but go to trial on the issue?

(Mr. Clark) I am prepared to go right straight now into the argument and I do not care if you extend this case for another week, it will simply be extended on the allegations which have been made none of which go to the point of an emergency, and all of which is wasted time. I am through and ready to argue the case now.

(Mr. Howard) Do you want to enter a motion to preclude any evidence for the other side?

(Mr. Clark) No, sir, you can amend your application if you want to.

(The Chairman) Are you through Mr. Clark?

(Mr. Clark) Yes, sir.

(The Chairman) Before we go on, I would like to make a brief comment on the statement that has been made twice by Mr. Emmons. Yesterday and today reference was made to the application and the expectation of the Company to have relief by August 15th on this emergency application. That statement, of similar import was repeated this morning.

For the Commission, I would just like to point out that the application as Mr. Emmons has just testified was filed on the first of August and the Company expected relief action by August 15th. The hearing has just begun. The Company as Mr. Emmons testified yesterday began a consideration of this matter of emergency relief in June. It had June and July to consider it and it considered it in that time, and on August brought in this application.

We do not think that the Company has any right to expect action by the Commission on a date determined by the Company without any regard whatever to the cases that were pending before the Commission of its other work.

The members of the Commission had cases and other work that were pending before the Commission and have foregone their vacation in order to meet the situation created by the Company's emergency application, and I think that while there has been a delay, or the time has gone beyond what the Company might have expected, certainly the Commission has been as diligent as it was possible for it to be in taking up the Company's case.

I just wanted to say that in reply to the suggestion that the Company was disappointed in not having action by August 15th, when it brought in its application on the first of August, after having considered the matter for two months. It apparently expected the Commission to act in 15 days.

(Mr. Howard) No criticism was intended whatever by Mr. Emmons.

(The Witness) No.

(The Chairman) I didn't understand that Mr. Emmons intended to criticise the Commission in any way, but I just wanted to make that statement to show that the Commission had been diligent and had not delayed the case.

(Mr. Markell) This Company certainly recognizes that.

(The Witness) I certainly wish to be put in the proper position, because when I found out Major Whitman was leaving, and that the Commission had certain things to clear up, I am sure you will say and I am sure those about me will say that I took the position that there was nothing to do but to wait patiently, which we have done, and we want to apologize if you feel that way, at all about it.

(The Chairman) We don't feel that in your statement yesterday and today there was any criticism intended of the Commission, but words in print and words spoken sometimes have a different appearance and as the statement was in the record and it might imply that the Commission had not been as desirous of proceeding with the case as promptly as it was necessary, I think it is necessary to have the record to show that we did proceed as diligently as it was possible under the circumstances.

(Mr. Markell) We certainly confirm that view.

RE-DIRECT EXAMINATION.

By Mr. Howard:

Q. You were asked on cross-examination about your accident allowance, and your accident reserve and what I want to ask you to explain is this. You still have a credit to your accident reserve. The question I want to ask you is whether or not the credit of your accident reserve is not equal or exceeded by the prospective amount of liabilities that have already accrued but are to be settled in the future?

Or to put it another way, do you carry over from one year to another, an amount of unsettled liabilities that equal your reserve or not? A. Yes. We always carry

over a lot of unsettled claims, for instance today we are settling claims back as far as 1919. These are stetted cases in Court, often the reason why they are heard this way. Another one occurred in 1920; two in 1921, one in 1923; four in 1924; eight in 1925; the majority being 1926 claims, that are being settled now.

We have gone back in our accident reserve from I think about $350,000 we had in it at one time, to beginning this year was $302,000 at which times we were criticised by Haskins and Sells by not having a reserve large enough in addition to the actual claims that we had out, giving them a basis of settlement. We hadn't much more than enough to settle the actual claims, and they held the amount should be higher to provide for a calamity or some unusual liability. That's what we had endeavored to build our accident reserve up to, but since the first of the year, on account of the increased cost in claims, we have gradually slipped back until at the end of July we have expended $70,000,000 more than we had set up under the three and a quarter per cent. of passenger revenue that we had been providing. That $70,000,000 at the rate of $10,000 a month, we have assumed are accident expenses, to put ourselves in the position as of the first of the year, would take $120,000 more.

Q. In other words, I might express it this way; that if the Company were to quit business and incur no more accident liability at any given point of time, now, the amount in the accident reserve wouldn't suffice to pay the outstanding liabilities for things already occurred, is that right? A. I think it might but it wouldn't take care of the cases that are still to come. For instance today there are a lot of cases unfiled.

Q. That's what I mean, if the Company were to stop operations at once, and incur no more liabilities, not that those already filed but what its already incurred, the accident reserve would not suffice? A. It would not cover it, no.

(Commissioner Harper) I understood you to say that there was an increase of $75,000 in taxes. What taxes are they Mr. Emmons?

(The Witness) That follows the valuation. We were given an additional assessment by the city of $3,000,000.

First they sent over an increased assessment of $7,000,000 and after talking the matter over with them and pleading for some better treatment, and on the fact that we at the present time are the highest taxed street railway in the U. S. because of our Park Tax, that assessment was finally compromised at $3,000,000 increased assessment over last year. That on the present city basis is about $75,000.00.

(Commissioner Harper) That's your property in the City?

(The Witness) Yes.

(The Chairman) In other words, it costs you $75,000 a year to get a valuation of your property?

(The Witness) It looks that way.

(The Chairman) Any further questions, Mr. Howard?

(Mr. Howard) No, sir.

(Examination Concluded.)

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(Mr. Howard) We have two short financial witnesses which will not be able to be here until this afternoon, and I was going to suggest that Mr. Tingley go on with his case in the meantime.

(Mr. Tingley) That will be perfectly satisfactory, if those are the only witnesses you will have.

(Mr. Howard) Those are the only witnesses in chief. We may have something in rebuttal.

(Mr. Tingley) Mr. Howard, as I understand the arrangement, when your witnesses come, will you want to interrupt our case to put them on?

(Mr. Howard) We would like to have the privilege of putting them on sometime after recess.

(Mr. Tingley) That's entirely satisfactory.

If the Commission please, at the outset we would like to offer in evidence, as a formal matter the protests that have been received by the Commission to an increased fare and ask that they be made a part of the record.

We will not be compelled to offer in evidence, or to move that there be included in the record the testimony of Mr. Feustel, in the valuation case because the railroad company has already made its entire valuation a part of the record in this case. Now I will call Mr. Wolf.

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## PEOPLE'S COUNSEL'S CASE.

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Thereupon—

**H. CARL WOLF,**

a witness of lawful age, produced on behalf of the Public Service Commission of Maryland, having first been duly sworn, according to law, was examined and testified as follows:

### DIRECT EXAMINATION.

By Mr. Tingley:

Q. Mr. Wolf, state your full name? A. H. Carl Wolf.

Q. Are you employed by the Public Service Commission of Maryland, Mr. Wolf? A. I am. As Chief Engineer.

Q. How long have you been Chief Engineer of the Commission? A. Something over five years.

Q. How long have you been connected with the Commission? A. Something over six years.

Q. During that time have you had a considerable amount of experience in the affairs of the United Railways and Electric Company? A. I have.

Q. You were in charge of the valuation of the properties of the Company that was made, weren't you? A. I was.

Q. You have made several investigations in connection with rate cases of the Company? A. I have.

Q. Mr. Wolf, have you made an investigation and prepared exhibits with reference to the claim of the Company that an emergency now exists, requiring an immediate increase in fare? A. Yes.

Q. Will you outline the results of that investigation to the Commission? A. The first exhibit that we have prepared is entitled "Estimate of Income for the Year 1927."

(Mr. Howard) Are there any new ones over the ones you sent the other day?

(Mr. Tingley) There will only be two that we were unable to get to you and I don't think they will cause any delay in the progress of the case?

(The Witness) Mr. Howard, there may be a correction or two over those we sent you in which case I will point it out.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 1.

(The Witness) This estimate is based on a decrease in passenger revenue for the year 1927 over the year 1926 of 2.33% which is the same percentage as was experienced in the first six months of the present year.

Q. And that's approximately the same percentage mentioned in the petition of the Company, filed on August 1st, isn't it? A. That's right.

——There is also estimated a reduction in operating expenses of 1.02% for the year 1927 over 1926 which was likewise the experience of the Company in the first six months of the present year.

Q. Passenger revenue for the year 1926 was $16,483,-923 which with a deduction of 2.33% would give $16,099,-848 for the year 1927.

Other revenues are estimated the same for 1927 as for '26, altho the Company in its exhibit did make a slight variation in this figure.

Depreciation is estimated at 5% of total revenues, this conforming to the present practice of the Company. This gives $816,582 for the year 1927, making the total of operating expenses and depreciation without taxes $10,-670,061 leaving net operating revenue of $5,661,573.

From this is deducted taxes, property taxes, etc. amounting to $467,110; park tax of 6.7% of passenger

revenue $1,078,690 and income tax being the tax which would be paid on net income after a deduction of $350,000 for adjustments, which would give $67,333.00 or a total for taxes of $1,613,133 leaving operating income of $4,048,440.

To this is added non-operating income the same as estimated by the Company of $171,000 from those figures are deducted fixed charges of $3,438,000 leaving a net income of $781,440.

Q. Mr. Wolf have you been present during the presentation of the Company's testimony in this case? A. I have.

Q. Have you heard anything which would lead you to believe that a larger percentage of decline should be anticipated during the remainder of the year than that shown in this exhibit? A. No, I believe that this percentage decline is fair.

Q. Now, Mr. Wolf, have you prepared an exhibit entitled "Estimate of Income for 1928 with a ten cent cash fare"? A. Yes.

(Mr. Tingley) I will ask that that be introduced and be marked People's Counsel Ex. No. 2.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 2.

Q. The total net income shown on that first exhibit is only slightly less than the dividend requirements of the Company, isn't it? A. That's right. People's Counsel Ex. No. 2 entitled "Estimate of Income, 1928."

(The Chairman) Mr. Emmons, the dividend requirements are $812,000?

(Mr. Emmons) $818,000.

(Commissioner Harper) Mr. Wolf what is the increase in fixed charges attributable to?

(The Witness) Additional money required for property additions.

Q. Will you explain People's Counsel Ex. No. 2? A. This is entitled "Estimate of Income for 1928 with a

ten cent cash fare," and is an attempt to show what the probable results would be in 1928 if a ten cent cash fare was put into effect. The estimate is made on two bases, first considering a loss of 5% and then one of 10% in the cash fare passengers in 1928 as compared to those in 1926. 1927 is still a matter of conjecture.

Q. What is the reason for assuming that percentage of loss? A. A 5% decrease would result in something less than the estimates of the Company for 1927, while a 10% decrease would show a still further loss as the possible result of reaction against the ten cent fare.

The number of commutation, half-fare and school ticket passengers is considered the same as is estimated by the Company for 1927, hence something larger than was actually experienced in 1926.

The passenger revenue resulting from these two bases are $20,782,993 and $19,729,503 respectively.

Operating expenses are taken the same as estimated by me for 1927, with an increase allowance of $100,000 for power and an increased allowance of $50,000 for accident reserve, making the total operating expenses $10,003,479, which amounted is used under each of the two headings.

It might be well to point out at this time that if the decreases are actually experienced in the number of revenue passengers, either of these estimates would produce somewhat better service to the public, namely, more seats per passenger than are now being served by the reason of the decreased number of passengers and keeping the number of operating expenses the same, which would keep the car miles the same and seat miles the same.

Depreciation is again figured at 5% of the revenue. Taxes are figured as explained in the first exhibit and an addition is made for non-operating income the same as for 1926, a deduction made for fixed charges, slightly more than for 1927, on account of additional money to be required, leaving a net income under the 5% decrease of $4,177,663 and under the 10% decrease $3,373,016.

Under the first of these estimates the amount available for return on investment would be $7,506,663 which would be 10% on a rate base of $75,000,000 and under the second

estimate of 10% decrease there would be available $6,702,012 or 8.9% on a rate base of $75,000,000.

Q. Mr. Wolf, have you prepared an exhibit entitled effect of automobiles on revenue passengers? A. I have.

(Mr. Tingley) I ask that that be introduced in evidence and marked People's Counsel Ex. No. 3.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Exhibit No. 3.

Q. Mr. Wolf, will you explain that exhibit to the Commission? A. The data on this exhibit conformed very closely to those that were compiled by the Company in the making up of its Exhibit No. 11, and the results plotted on the company's Ex. No. 11 are almost identical with the results shown on this exhibit.

The first column on this Ex. No. 3 shows the number of revenue passengers actually carried by the United, each year since 1910. The next column shows the percentage of increase or decrease over the preceding year.

The third column shows the net total automobile registration of locally owned cars in Maryland for each year from 1910 to date. That is we have left out those cars that were registered of residents of the District of Columbia prior to 1923. Prior to 1920, it was usual in estimating for the future, the revenue passengers carried by the Company, at a 5% increase. While the actual number varied each year from 5% the general trend was along this line. The real effect of the automobile was not felt until after 1920, and the attempt in this exhibit was to show what the real effect of the automobile has been.

In view of the impossibility of ascertaining the effect of automobiles owned by suburbanites and not registered in Baltimore City, we thought it advisable to consider the total number of automobiles registered in the state instead of only those registered in Baltimore City, and make a corresponding adjustment in the estimated number of passengers carried in a year by each machine.

This method does perhaps throw off the figures in the earlier years, because the riding habit per automobile has

changed considerably according to our best information but has apparently steadied down in the last few years. But also during the earlier years, the affect of the automobile was less pronounced and hence the results as shown by the start are not materially affected.

The way we got at the number of passengers carried by automobiles who would otherwise be carried by the railway is something like this, as pointed out before the result checking very closely with that obtained by the Company. We attempted to make a study by observation and by conversation with automobilists as to the affect of each automobile on the revenue passengers and have concluded that approximately 600 revenue passengers per year are lost to the United by every automobile owned by people who would otherwise use the lines of the Company.

The man who drives his machine to work every day and picks up a friend or two, greatly exceeds this amount. The commercial truck and the car in the garage has practically no effect. Balancing all those we arrived at an estimate of 600 which I believe to be correct.

Baltimore City has been showing approximately one-third of the registered automobiles in the State. Baltimore City and its suburbs contributary to the lines of the railway rates something over that. We have therefore assumed that the automobiles which would be affecting the revenue passengers of the railway would be two-thirds of the total owned by the State, and applying 600 to two-thirds of the automobiles in the State, is the same as applying 400 to every automobile in the State, which is the way we got at our fourth column.

The next column shows the percentage of increase in the number of passengers carried by the automobiles and the sixth column shows the total passengers carried by street cars and automobiles and the last column the percentage total.

It might be pointed out that the first column and the next to the last column are not corrected in these figures for the effect of the zone extensions in 1924, but I will give the figures as they pertain to the last column.

Looking at the last column it is evident that the percentage of increase since 1920, when the effect of the automobile began to be felt the most, has been less than the percentage before that time. Correcting the last four years for the effect of the zone extensions in 1924, it would change the percentage of .45 for 1914 to 2.14; would change the percentage of 4.14 for 1925 to 5.26; that of 2.52 for 1926 to 2.90 and that of 1.24 in 1927 to 1.31.

What is apparent that even with these adjustments the trend since 1920 of passengers carried by automobiles and street cars has been considerably less than was the experience before 1920, and the conclusion that I draw from that is that the automobiles are not getting all the passengers that the United has been losing.

In other words, passengers are being lost for other causes rather than the automobile.

Q. In other words, the automobile is not responsible for all or substantially all of the decline in riding since 1920? A. That's my belief.

Q. Mr. Wolf have you prepared an exhibit entitled "Ratio of the amount of outstanding securities as of June 30th, 1927, to the basic value fixed by the Commission of $70,000,000"? A. That's right.

(The Chairman) Before you get into that I would like to go back for a moment to People's Counsel Ex. No. 2.

I see in here you have showing on a valuation of $75,000,000. Of course the Commission fixed the value on the property of the United Railways of $70,000,000 without the easements, and $77,000,000 with the easements. The figure on the easements has not yet been determined by the Commission and I am assuming that the figure that you use hereof $75,000,000 is an abritrary figure for the purpose of your exhibit.

(Mr. Tingley) I think I can explain that Mr. Chairman. That's a purely arbitrary figure which we chose that being between $70,000,000 and 77 million dollars and was arrived at arbitrarily.

(Mr. Howard) Any allowance for bringing the valuation up to date in that assumption?

(Mr. Tingley) Yes.

(Mr. Markell) Without any allowance?

(Mr. Tingley) With.

(Mr. Markell) In other words it's 72 and a half plus an increase of two and a half.

(Mr. Tingley) That's right. Now I ask that the last exhibit be introduced in evidence and marked People's Counsel Ex. No. 4.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 4.

Q. Will you explain that exhibit, Mr. Wolf? A. This shows the amount of outstanding securities as of December 31st, 1926, and as of June 30th, 1927, and their relation to the basic value fixed by the Commission of $70,000,000. As a matter of fact, the amount of outstanding securities has not varied much during the past two years, I think possibly the last six months showing one of the greatest variations and hence the two columns. We might have chosen December 31st, 1923, which would show approximately the same result, but would have been exactly at the date of the $70,000,000 valuation. The percentages are very little off.

This shows that the mortgage bonds represent 67.7% of the basic value of $70,000,000, and miscellaneous obligations including these notes are 9.1% on last December and this 10.9% last June, income bonds 20% at both periods, total of bonds and miscellaneous obligations 96.7 in the last period and 98.7 in the later period, and that stock 29.2 in the two periods. The total percentage of bonds and miscellaneous obligation is an extremely high ratio and suggests one reason why the Company has difficulty in securing money on what it calls equitable terms aside from any effect of gross and net revenues.

The high ratio of mortgage bonds, to the matter of property has been a matter of comment for sometime,

the position having been strengthened materially by the Commission's valuation which said, the valuation in the minds of the investing public.

(Mr. Howard) You didn't bring that valuation up to date for this purpose did you?

(The Witness) No, sir.

Q. Have you anything else that you want to say in explanation of that exhibit, Mr. Wolf? A. I believe not.

Q. Have you an exhibit entitled "Ratio of bonded indebtedness to car miles and gross revenue"? A. I have.

(Mr. Tingley) I ask that that be introduced in evidence and marked People's Counsel Ex. No. 5.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 5.

(The Witness) This Exhibit No. 5 entitled data on Street Railway operation in various cities for the year 1926 is made up from the best information we had available as shown by Moody's Manual and by bulletins on the American Electric Railways Association.

Q. I think the confusion was caused by the fact that we assigned two different titles to the exhibit, Mr. Markell. A. It shows for the cities of Detroit, Los Angeles, San Francisco, Pittsburgh, Boston, Cleveland, St. Louis, Baltimore, St. Paul, Minn., Buffalo, Providence, Washington, Cincinnati, Indianapolis, and Denver which are the only sizeable cities on which we could get what we thought was authoritative information, the number of miles of track in each, the funded debt including income, bonds in each, the total revenue from street railway transportation, the funded debt per car mile of track operated, and the funded debt per dollar of gross revenue.

The significance of the exhibit lies in the last two columns wherein Baltimore is shown as having the highest funded debt, per mile of track operated of any of the cities mentioned, being $164,000 per mile, when the bonds are included and $130,000 when the bonds exclusive of income bonds are taken.

The last column likewise shows that the Baltimore Company has the highest funded debt per dollar of gross revenue, being $4.05 if all bonds are considered and $3.22 if bonds exclusive of income bonds are considered.

This again seems to indicate one reason why something other than gross and net revenues might have an effect on financing and also does show a possible reaction in the operating ratios of the Company.

Q. That last column shows that the Baltimore figure is more than twice than obtaining in many of the other cities? A. It is more than twice than any other city except St. Louis, Indianapolis and Denver. That is if all bonds are considered.

Q. Mr. Wolf, have you prepared an exhibit entitled "Securities issued by the United Railways and Electric Company since 1910"? A. I have.

(Mr. Tingley) I ask that that be introduced in evidence and marked People's Counsel Ex. No. 6.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 6.

Q. Will you explain and comment on that exhibit, Mr. Wolf? A. This exhibit shows all of the securities issued since 1910 approval for which was gotten from the Commission.

Q. Is that both of the Company and its subsidiaries? A. Both of the United Railways and its subsidiaries, yes. The purpose of this exhibit is to show that taking into account, the changed levels in interest rates, there has been little change in the borrowing capacity of the Company, since the organization of the Commission.

Q. Will you go over that exhibit, Mr. Wolf? A. In 1911, at which time the first application for securities was made, $3,125,000 of three year notes, were permitted to be issued at 97½, bearing 5% interest.

In 1914, $153,000 worth of ten year car trust certificates, bearing 6% were issued at par. This of course being no indication of the market.

Q. They were 6% securities? A. Yes. In 1914, the

same year, two year 5% collateral trust notes were issued, at 99½, the interest rate being slighty over, being about 5¼%. The same year $489,000 of first mortgage gold sinking fund bonds were issued by the Maryland Electric Railway, bearing interest at 5% and were issued at 96, the interest rate being slightly over 5%. In 1916, $2,750,000 5-year 5% gold notes were issued at 98. In 1917 6% convertible gold notes to the extent of $3,000,000 were issued at 95. In 1917 we were beginning to feel the influence somewhat of the war conditions and some increase in interest rates, and this exhibit reflects that aside from the car trust certificates, the first definite increase in interest rates.

In 1919 5 year convertible notes were issued at 5% to convert some other securities and were not thrown on the market so as to give an indication of the net worth. In 1917, also $457,000 of the Maryland Electric Railways 5% first mortgage gold bonds were issued at 98. In 1920 another issue of car trust certificates bore 8% and were sold at 95. At that time the conditions for borrowing the country over, were very bad, and this percentage probably represented the general trend of borrowing of utilities at that time.

In 1921, before a complete recovery from that slump, a million and a half 7% coupon gold notes were issued at 92¼. This, by the way, was the year after a large amount of business the company had done in 1920 and would seem to indicate that the amount of business done that year before had very little effect on bolstering up the credit, because the notes only sold at 92¼ and were 7% notes.

In 1922, 6 million dollars of first Consolidated Mortgage 50 year gold bonds were issued at 6%. The same year, the exchange was started for the old 4% bonds, increasing them to 6%. In the same year, 1922, two and a half million dollars of 5 year 6% notes were issued. In 1924, $4,000,000 of first refunding gold bonds Series A of the Maryland Electric Railways, at which time a number of the scattered properties were put together under the mortgage and in 1927, two and a half million of three year notes, 6% notes were issued at 96½, which would bring the interest rate slightly over 6%.

Q. Would that exhibit indicate a decline in borrowing condition of the Company, during the years of Commission regulation? A. I would say not.

Q. Would it indicate that the credit of the Company on a credit status is relatively bad? A. I would say not.

Q. This year shows the highest figure since the war, doesn't it? A. It does.

Q. That's irrespective of interest rate? A. That's right.

Q. And those securities were issue this year in July, weren't they? A. That's right.

(Mr. Howard) Haven't you another table that shows that they weren't issued in July but were issued three months sooner?

(Mr. Tingley) Some of them were.

(Mr. Howard) All of them.

(Mr. Tingley) That's right, they were issued to refund.

Q. Mr. Wolf, have you prepared an exhibit entitled "Balance to surplus by years compared to common stock dividends"? A. I have.

(Mr. Tingley) I ask that that be introduced in evidence and be marked People's Counsel Ex. No. 7.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 7.

Q. Will you explain and comment on that exhbiit, Mr. Wolf? A. This exhibit shows the annual balance to surplus, the accumulated average, and the amount of common stock dividend paid for each year from 1912 to 1926 inclusive.

In the latter part of 1912 dividends were commenced, and in the latter part of 1922 they were resumed after having been discontinued in 1919.

This exhibit shows that with the exception of three years, 1916, '20, and '26, the balance to surplus did not reach a million dollars.

It further shows that the total annual balance to surplus for the past five years exceeds that for any other five year period since 1911. It's not indicated in totals on the exhibit, but it is true that the annual balance, for surplus, from 1922 to '26 inclusive, was $4,734,167.00 which was the highest of any five year period since 1911.

It appears that in two years, 1913 and 1918, dividends were paid although not actually earned.

I believe that there is a correction to that statement in the year 1913 on account of the calendar period. I am not just sure what the total amount paid on the calendar year 1913 as against the total annual balance in the calendar year 1913 was, and whether that conforms literally to the statement I made.

Q. Mr. Wolf, does that exhibit show that before the war the company was or was not able to earn the one million dollar balance to surplus? A. It shows that only in one year, 1916, was it able to earn anything like a million dollars.

Q. Then it becomes apparent when we talk about a one million dollar balance surplus we are talking about something that didn't exist before or since the war? A. That's right.

Q. Although in the latter period a nearer approach was made to the figure than before the war? A. That's right, and an increasing amount has been set aside for surplus for each year since 1920.

Q. Is there anything further you want to say in explanation of that exhibit? A. The second column, cumulative average, may be of interest, simply to bear out the statement I just made that the amount has been increasing in the last few years.

Q. The year 1920 was the best year that the company ever had, wasn't it? A. That's right.

Q. And that shows that the million dollars was barely made, doesn't it? A. That's right.

Q. And that was right after the fare increase in 1919? Have you prepared an exhibit entitled "Chart Showing

Comparison of Living Costs with Carfare and Wages of Trainmen in Baltimore"? A. I have.

(Mr. Tingley) I ask that that be introduced in evidence and marked People's Counsel Exhibit No. 8.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Exhibit No. 8.

(The Witness) The index figures on this chart as shown in the left hand column all refer to 1913 as the basis of 100. Data for this chart was taken from the United States Bureau of Labor Statistics for all commodities and for retail food costs were taken from the actual experience of the company for wages of platform men, showing the maximum hourly wage, and were taken from the actual experience of the company for the average fare paid.

This exhibit shows that the average fares at the present time, the average fare is slightly below the index of retail costs and of all commodity costs, but that if a ten cent fare were granted it would put the carfare much above the cost of living and hence place the company in a much better economic condition relatively than other purchasers of commodities in the city.

It shows that the wages of platform men, and I understand that clerks in the company follow the wages of the platform men generally, lag somewhat behind the living costs up to 1920, but that since that time, while living costs went down, and afterwards remained fairly constant, the wages of platform men have been increasing, and with the proposed increase will place the men far above the economic situation of other commodity purchasers in the city.

Q. This exhibit would bear out the statement contained in the trolley news that was read from yesterday to the effect that the wages of the men are now above the cost of living, wasn't it? A. That's right.

Q. Anything further that you want to add in explanation of that exhibit, Mr. Wolf? A. I think not.

Q. Have you prepared an exhibit entitled "Average decrease of receipts by days of the week"? A. I have.

(Mr. Tingley) I ask that that be introduced into evidence and marked People's Counsel Exhibit No. 9.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Exhibit No. 9.

(The Witness) This exhibit is prepared from information furnished us by the company as to the receipts for each day for 1927 compared with the corresponding day of the week for 1926. In drawing a comparison we have eliminated holidays and other days which were not existent in both years so as to attempt to compare only those days which could be properly compared. This exhibit by the way shows the results only up to August first. Not since.

It shows plainly that the decrease in riding has taken place most largely on Saturday and on Sunday. Tuesday has shown some greater decrease than the other days with Thursday showing the best day of the week relative to last year.

(Mr. Howard) Based on from January first on, I understand?

(The Witness) January first to August first, year. The chart does indicate that pleasure riding and convenient riding has been reduced to a low point, and that passengers are only taking the street car when they are actually compelled to do so.

It also might be pointed out that while this chart doesn't indicate it that the Weather Bureau reports indicate that Saturdays this year have been relatively worse than Saturdays and Sundays last year. That would also have an effect on the Saturday and Sunday business.

Q. Mr. Wolf, would you say that that chart indicated some possibility of some fare adjustment to encourage riding on slack days? A. I think there is a lot of food for thought in that remark.

Q. And the slack days are apparently the week-ends and holidays? A. That's right. Week-ends. The holidays are not shown here.

Q. This would indicate the necessity of attracting the pleasure rider and the convenience rider apart from the necessitious rider, wouldn't it? A. That's right. It indicates the advisability of attempting to do that.

Q. Mr. Wolf, have you any other testimony or exhibits that you wish to put in evidence? A. That's all of the exhibits that I have prepared.

Q. I think there is one other exhibit, isn't there? A. I might put in as an exhibit the August report of the Industrial Bureau of the Baltimore Association of Commerce, which Mr. Emmons referred to in his testimony, and I would like to read this opening paragraph. This dated September 7th and is report No. 99 of the Baltimore Association of Commerce:

"A definite upward trend from the seasonal slowing down of industry during the summer months is indicated in the unusual number of expansions already under way or planned this fall."

And there are several figures also in there that I think are of interest. On page 8 of the report is shown a comparison of telephone calls this year as against last year, these being the local calls, and shows that in July there was the largest increase, namely 2.12% of any month in the year. The other months of 1927 were not very far off from the other months of 1926.

The postoffice receipts shown on page are also rather illuminating, showing that for July for 1927 there was a falling off of 2.57%. This loss was recouped in August, when an increase of 6.35% is shown.

I would like to read the summary of this report which brings together these figures and is shown on page 11 of the report:

"Local trade barometers noted in the foregoing pages may be summarized as follows: for August of this year, as against August 1926: bank clearings lost 3.9 per cent. debts to individual account were lower by 2.8 per cent. the value of building permits was lower larger by per cent.; building contracts lost 53.39 per cent.; 104 fewer steamships entered the local port; postoffice re-

ceipts were larger by 6.3 per cent.; July figures show the number of telephone calls fewer by 2.1 per cent. than for July, 1926; electric power supplied to local industries gained 1 per cent.; industrial and commercial gas consumption increased by 4.9 per cent.; street car passengers were fewer by 4.2 per cent.; exports for June were larger in value by 6.8 per cent.; while imports were also greater in value by 2.7 per cent. than for the corresponding month of last year."

As I read that bulletin I gather the distinct impression that in August and earlier in the season we were facing a seasonal loss, and the indication is now that we have passed the low mark on that seasonal decline.

NOTE: Paper above referred to is here filed in evidence and marked People's Counsel Exhibit No. 10.

Q. Have you any data that would indicate the rate of decline in the sales of merchandise in the month of July and any explanation of the decline? A. The United States Daily for Wednesday, August 31, contained an article on page 7 headed "Reduction is Caused in July Retail Trade by Seasonal Decline," and it goes on to state some rather interesting points. The sub-head is "Department Store Sales Averaged 3.7 Per Cent. Smaller in Same Month Last Year." This is starting by July:

"The usual seasonal decline affected the retail merchandising trade in July, according to a final report for the month made public August 30, by the Federal Reserve Board, which based its statement on reports from chain department and mail order stores.

Part of the reduction recorded for the month was attributable the Board explained to the fact that five Sundays occurred in the month of July this year, consequently allowing one less business day."

And it goes on to quote the Board's report which has been summarized in the heading and in the statement I have already read.

NOTE: Paper above referred to is here filed in evidence and marked People's Counsel Exhibit No. 11.

Q. Mr. Wolf, have you anything further that you wish to add to your testimony? A. I would just like to add one or two statements from the July report of the Industrial Bureau of the Baltimore Association of Commerce, one particularly I thought was interesting to this effect. A slowing down in building construction has been responsible in part for some local unemployment especially among the unskilled workers. That's interesting in view of the fact that there seems to be an upward trend in the building conditions in the city just very recently.

(Mr. Tingley) Mr. Wolf is with you for cross-examination, gentlemen.

CROSS-EXAMINATION.

By Mr. Benson:

Q. Mr. Wolf under your statement Exhibit No. 2 if the increase were made to a ten cent rate, on either one of your figures of decrease of passengers, either the five or ten there would be plenty of net income left over to give the Halethorpe or No. 3 line a single fare without jeopardizing or hurting seriously the United Railways? A. Senator, I haven't made a study to know what the cost of that would be, I might answer your question this way, that I think there would be leeway in the net income of the company for other adjustments.

Q. Well, they extended nine other lines on a half cent increase, didn't they? A. Yes, sir.

Q. Well, if they extended nine on a half cent increase, they ought to be able to extend this one on a two and a half cent increase? A. There would appear to be logic in that reasoning.

Q. If that isn't so then we are carrying a good deal more than our share of the burden now, aren't we? A. I don't know. Of course, there are a lot of things to be considered in that. It would certainly look like there was leeway for making adjustments.

(Mr. Benson) Thank you.

CROSS-EXAMINATION (Continued).

By Mr. Howard:

Q. Mr. Wolf, will you refer to your Exhibit No. 1? A. Yes, sir.

Q. That is an exhibit showing your estimate of probable income for the year 1927, isn't it? A. That's right.

Q. You made a correction or alteration in the amount of your estimate as you first filed it when you gave us a copy? A. That's right.

Q. Your first estimate was $849,000 I see and you have reduced that to $781 thousand and odd? A. The error was pointed out by your auditor.

Q. Now you have not included in that this item of increased tax that Mr. Emmons mentioned, have you, $75,000? A. I have included the taxes that were given me as the estimated tax to be paid this year, $467,110 on the property.

Q. You didn't include tho the additional $75,000 that Mr. Emmons mentioned due to the increased assessment? A. I didn't include that, but I would like to make this explanation. I didn't get entirely Mr. Emmons' testimony on it, but as I understand it that tax will be partly made up by a deduction in the tax on the shares on the stock, in other words, the capital stock tax.

Q. What you understood was that if the company can issue and sell some preferred stock to the public it may get a reduction in that owing to the law that's been referred to? A. No, I understood that if the company does and can sell preferred stock, it's total tax as fixed last year, would continue, and that total tax is made up of two parts, the tax on the physical property as assessed by the Appeal Tax Court and the tax on the capital stock as assessed by the State Tax Commission.

Q. Didn't you understand Mr. Emmons to testify that there was an increase that would represent additional taxes this year of $75,000 unless it were obviated by that law? A. Yes, sir, but I don't understand that to be quite the case. I understand that $75,000 is increased tax on

the physical property, but that a large part if not all of it will be obviated by a lower assessment on the capital stock.

Q. You don't understand that that was only if they got the benefit of that law by selling an issue of preferred stock? A. No, sir, I don't understand that the State Tax Commission has yet revised its assessment of the stock of the company. I think it's about 15 million dollars that fixes the total tax which the company pays.

Q. It is not your understanding then any increase in tax such as the item I just mentioned is involved? A. No, sir, none such as that.

Q. You have also allowed something in your calculations for increased power costs, amounting to $120,000 that Mr. Emmons referred to, have you? A. No, sir.

(Mr. Tingley) Will you explain, why you didn't?

(The Witness) Because I don't believe that the increase is proper. I don't think it ought to be paid and I don't think it will be paid this year.

Q. Whether paid this year or not, it will be on account of this year's service, if it is paid? A. It would be, but it would come under this profit and loss adjustment next year.

Q. Wouldn't it be a profit and loss assessment? A. Attributable to this year, but I don't think it ought to be paid.

(Mr. Tingley) It wouldn't affect the present emergency?

(The Witness) No.

Q. You left it out then on account of your opinion that it ought to be disputed? A. Yes, sir.

Q. Now you have not made any allowance for the increase in the accident reserve allowance have you? A. Only in this way. In the estimate of 1.02 decrease for operating expenses as against 2.33% decrease in passenger revenue, I believe that I have left some margin for increased accident reserve. I haven't left $120,000 but I have left some percentage.

Q. That is not the accident reserve, but the experience of the company that you are referring to, isn't it? A. That 1.02 was used as the actual experience of the first six months.

Q. Is that without making any adjustment whatever for the accident reserve rate? A. That's right.

Q. Now the amount referred to in connection with accident reserve was $120,000, wasn't it? A. $120,000, yes.

Q. Now if you add those three items, which you ignore for the reasons that you have stated, it would make $315,000 difference in your result of $781,440, wouldn't it? A. That's right.

Q. And leave a balance of $446,000 instead of $781,000? A. That's right.

Q. This, as you have already mentioned, your estimate of income for the year 1927 as based on the experience of the first six months? A. That's right.

Q. It's assuming that the experience of the last six months, compared with previous experiences won't be any worse than the average of those whole six months? A. That's right.

Q. And that average of course includes the months of January and February or months before any decline has set in?

(Mr. Tingley) There was a decline in February?

Q. Referring to your Exhibit No. 2, Mr. Wolf, which is your estimate of what the income of the company next year would be on a ten cent cash fare basis, on two assumptions, one on a 5% decrease in passengers and the other on a ten per cent.? Except insofar as you have allowed $100,000 for increase in power, and $50,000 for increased accident reserve, the three items that I referred to under Exhibit No. 1, except to that extent, are not included in this either, are they? A. If I understand your question, I made no increased allowance for taxes. I did make an increased allowance of $100,000 for power and $50,000 for accident reserve.

Q. So that $150,000 is the full amount that you have allowed for the aggregate of those three items? A. That's right.

Q. Would you turn to your Exhibit No. 3 for a moment? This is a tabulation where you were making the effort to do the same thing that the company did by this Exhibit No. 11 of theirs, that is just behind you, that is to say, to find out what effect, if any, the existence and increased use of automobiles has upon the number of street car passengers, isn't it? A. That's right.

Q. And your result is practically the same, or identical with the one that they arrived at, isn't it? A. Very close to it.

Q. Do you remember the Traffic Survey figures that were referred to in Mr. Emmons' testimony? A. Yes.

Q. Do yours agree substantially with those? A. Yes, they do. I used those for a check on my figures.

Q. Perhaps I might make one thing clear. It may be sufficiently clear already, but take the column of per cent. increase in this case, and not the very large amount in the earlier figures; what I want to accentuate is this; that the per cent. is figured in each case on the previous year, isn't it? A. That's right.

Q. So that the figures in the earlier part of that column are figured on a comparatively small existence? A. That's right.

Q. It would be like a geometrical progresssion if it didn't show a diminution as you go on, wouldn't it? A. That's what the revenue passengers showed thru a geometrical program.

Q. For a very small per cent., tho? A. Smaller per cent., yes.

Q. If you had an increase of 57% appearing a number of years, you would soon reach a figure where the world wouldn't hold the number of automobiles if that went on? A. Of course we thought that when we got to 20%. It might be interesting to point out that from 1918 on, it never got above 20%.

Q. But the column to the left gives you the real actual number? A. That's right.

Q. May I ask you if these figures are not approximately correct?

If you refer again to your Exhibit No. 3, in the column giving the per cent. of increase, if you adopt 1920 as your part, or 100% basis, doesn't the amount that you arrived at of automobile riders in 1927, represent an increase of 169% about over that or 269%? A. 268, I believe.

Q. Would you turn to your Exhibit No. 4? Your Exhibit No. 4 is a comparison of the amount of outstanding securities of the United on the valuation found by the Commission? A. That's right.

Q. Assuming the latter to be $70,000,000 without the allowance for easements, that you made in another place? A. That's right.

Q. Now your figures of outstanding securities are for December 31st, 1926, aren't they? A. That's right.

Q. The $70,000,000 valuation eliminating easements, that you have adopted is for the year 1924, isn't it? A. That's right, January 1st.

Q. So you didn't bring that valuation up to the same date that you adopted for the securities in that table, did you? A. No, the securities, if you will revert back to January 1, 1924, were very little different than those shown in this table, and the percentage as of January 1, 1924, would have been only slightly different, from the percentages that I have used here.

Q. But you are trying to give a comparison as it was in the present time, that was December 1st, 1926, and if you had brought the valuation up to that date it would have shown a considerable increase, wouldn't it? A. Not considerable. It would show a slight increase.

Q. What did you allow in the other case? A. Two and a half million, but if you get 96.7% as the ratio of your total bonds and miscellaneous obligations to your

rate base, that extra two and a half million dollars on the basic value wouldn't make much difference.

Q. Wouldn't it make considerable difference, because you are adding it there, to a difference between 98 and a fraction per cent. and 100, so it's just a point where it would make considerable difference? A. It would be 93½% instead of 96.7%.

I might better have taken December 31st, 1923, as my first column. I showed the two columns so as to show some change.

Q. I only wanted to show that you are comparing a 1923 thing with a 1926 thing? A. That is right.

(The Chairman) What would the difference be, Mr. Wolf?

(The Witness) The ratio of total bonds and miscellaneous obligations, to the $70,000,000 is 96.7% last December. The $72,500,000 would be the 70 million value of today would be 93½%.

It would change that percentage from 96.7 to 93.5.

(Commissioner Harper) How do you arrive at that 72 and a half million? Is that just an approximation?

(The Witness) It's an approximation, but it's very close. As I recall the net additions to property as shown on one of the Company's Exhibits there is about two and a half million dollars.

(The Chairman) Of course that's not considering easements in there at all?

(The Witness) No, sir.

(Commissioner Harper) Hasn't there been a substantial retirement in the lines abandoned?

(The Witness) Yes, sir, and I think it might be said, Senator, that we ought not to figure any of this rate base to actual until we have had a chance to go into that, because we are not sure of the retirements and those questions have to come up for a more thorough investigation.

(Examination suspended.)

NOTE: The Commission then adjourned for the purpose of taking a Recess.

AFTER RECESS.

APPLICANT'S CASE (Continued).

Thereupon—

**ALLEN G. HOYT,**

a witness of lawful age, produced on behalf of the applicant, having first been duly sworn, according to law, was examined and testified as follows:

DIRECT EXAMINATION.

By Mr. Markell:

Q. Where do you live, Mr. Hoyt? A. New York City.

Q. What's your business? A. I am Vice-President of the National City Company.

Q. And what's the business of the National City Company? A. They are dealers in investment securities.

Q. And do they deal particularly in public utility securities? A. They do a very large business in public utility securities. The business in which they are interested, either alone or with associates, averages something over one hundred million dollars per annum.

Q. You mean the public utilities business? A. Public utility business.

Q. How long have you been Vice-President of the National City Company? A. I have been with the National City Company since 1916.

Q. And before that what was your business? A. I was a partner of N. W. Halsey & Company, an investment banking concern, which specialized in public utilities.

Q. How long were you with N. W. Halsey & Company? A. Since 1907 to 1916.

Q. So that you have been personally in this business—— A. For over twenty years.

Q. You are familiar in a general way with The United Railways and Electric Company of Baltimore are you not? A. I am.

Q. You are familiar with its annual report? A. Yes.

Q. And its financial conditions? A. In a general way, I am.

Q. And you testified in its valuation case, did you not? A. I did.

Q. In the present case there has been offered in evidence an exhibit, Applicant's Exhibit No. 1, entitled "Decrease in Passenger Revenue." You have seen that exhibit, have you? A. I have.

Q. And there is also an Exhibit No. 8 entitled "Annual Shortage in Net Income," showing a shortage as compared with an estimate for the year 1924 in the Commission's last rate case. You have seen that exhibit? A. I have, yes.

Q. And there is also an exhibit "Amount of Net Income" showing a shortage of a million dollars and shortages from a million and a half dollars, that's No. 9. You have seen that? A. I have.

Q. And there is another exhibit "Amount of Gross Income," Exhibit No. 10, comparing the income with one and one third and one and one half times fixed charges. You have seen that? A. I saw that.

Q. And there has also been offered in evidence, marked Ex. No. 5, a chart showing comparisons of monthly income. You have seen that? A. I did.

Q. And you have also been shown an exhibit marked People's Counsel No. 7, entitled "Balance to Surplus by Years Compared With Common Stock Dividends"? A. I did.

Q. It has been testified in this case that the United Railways and Electric Company has now outstanding two and a half million dollars of three year notes which mature in two and a half years, in addition to its ordinary other funded debt that appears on its annual statements. It's also been testified that the Company now has out-

standing various bank loans on various four months notes maturing from time to time this month, next month and so on, aggregating $1,900,000 in its own name, and then it's an endorser on some $400,000 more notes of the Baltimore Coach Company which is a subsidiary of its own entirely owned by it.

Assuming that testimony to be correct, and making the same assumption as to the particular exhibits that have been brought to your attention, will you tell the Commission in your own way, from your own knowledge of this Company's financial condition generally, I mean from Annual Reports, in the past, plus this specific information that's been brought to your attention in these exhibits, and about the facts in the present time, will you tell the Commission what is your opinion as to the present credit condition of the Company as to whether or not there is an immediate need for relief in the matter of rates in order to preserve the Company's credit condition and consequent ability to give service?

(Mr. Tingley) If the Commission please, I think Mr. Markell may be willing to revise his question to meet the objection. The only thing I object to is the necessity for immediate relief which would tend to bear on the legal question as to whether an emergency existed. I have no objection to his testifying——

(Mr. Howard) Immediate need for relief in order to preserve its credit condition.

(Mr. Markell) We want the Commission to have the facts so you can argue the legal question.

(The Chairman) Go ahead, Mr. Hoyt.

(The Witness) It seems to me, that the Company has arrived at a critical stage from the standpoint of protecting or improving its credit. Even tho the Company had made the same showing that it made last year and the year before its position would be none too comfortable. The earnings for recent months as they have been shown to me seem to indicate a distinct decline in earning power. The margin of earnings above the fixed charges is becoming reduced to a point where it seems to me that the Company will have grave difficulty in fi-

nancing its requirement, in financing its maturing notes, and obligations, and in financing its floating debt.

It seems to me further that if this condition is not immediately corrected the credit of the Company will suffer such a severe blow that it will take a very long period for it to recover from a position in which it will find itself. I think it's reached the breaking point.

Q. Mr. Hoyt, in view of the large proportion of bonded indebtedness that this Company already has, and assuming it to be a fact, as has been testified, that the Company has need to do additional permanent financing to retire part of its floating indebtedness which represents capital expenditures, will you tell the Commission what kind of financing is desirable in order to avoid accentuating or is possible to correct that ratio or bonded debt? A. The Company at present has what we term an unbalanced financial structure. Its ratio of debt to stock is too large for the Company to endure good credit. There should be a greater proportion of stock, a greater equity above the funded debt, and it seems to me that the Company's endeavor should be, whenever its credit will permit it to do so, to finance by issuing stock in order to improve the ratio of equity securities to those bearing a fixed charge.

Q. Now, Mr. Hoyt, what in your judgment would be the effect of the chances of doing preferred stock financing if this Company were compelled to pass a dividend at this time? A. I think it would make the likelihood of financing by preferred stock extremely remote if the Company were to pass its dividend or if the Company were to show such poor earnings that the amount applicable to dividends was not equal to that necessary to pay dividends at the current rate.

Q. Would it be worse to pass a dividend than to pay it out of surplus? A. Possibly so.

Q. Would it be bad either way? A. Bad either way and very bad in my opinion.

Q. When investors and financial students review that past of a Company they are apt to look at what periods? A. Usually reports for certain fiscal years. Sometimes

a fiscal year coincides with the calendar year. Sometimes it's different period. The twelve months' period ending with the fiscal year.

Q. Now this Company's fiscal year is the calendar year. Will you tell the Commission what in your opinion would be the possibility of doing preferred stock financing in this calendar year goes by without material relief to improve the showing that's already been indicated by the exhibits submitted? A. The record of the Company for the year to date indicates that unless relief is granted the showing for the calendar year 1927 will bear a very unfavorable comparison with the calendar year 1926. The financial manuals and records are published and carry these annual reports. When any investor or officer of a financial institution desires to obtain general information regarding the securities of any company which may be submitted to him he usually refers to certain manuals and he looks over the record of the Company, and this records as I say records of fiscal years, annual years. If we will say two or three years hence the securities of this Company would be presented for consideration to a prospective investor, and he turned back to his manual and saw that very sharp decline in earnings after prior years that had been none too good, I would say that his confidence in the situation might be very severely shaken, and that he would be inclined any way to question the advisability of putting his money in an undertaking which had had such an unfavorable record.

Q. Now, just one more question, Mr. Hoyt. If investors were going to buy or build a property like this Company, what amount would they feel in your opinion, that the property should earn in order to induce them to invest their money in the purchase or construction of such a property? A. I should think that they would have to have an expectation of at least 8% to induce them to make the purchase or contract the property.

(Mr. Markell) That's all, the witness is with you.

CROSS-EXAMINATION.

By Mr. Tingley:

Q. What period of time did you have in mind in stating that the Company might have some difficulty in meeting its obligations? A. When they come due.

Q. During what period in the future, I mean, the next month, the next two months, the next year? A. Unless the Company is afforded some relief, I should say that its credit will suffer a severe set back, and whenever it became necessary for it to raise money, it would have great difficulty in doing it, however.

Q. What period have you in mind as to the obligations that it will be embarrassed in meeting? Obligations maturing during what period? A. Well, the Company as I understand it has quite a substantial floating debt. I should think that the creditors would begin to feel restive today. I know our bank would.

Q. How much of that floating debt will mature during the next two months? A. I can't say as to that.

Q. So that in stating that the Company might have difficulty in meeting its obligations, you don't have the next two months' period in mind? A. Not particularly. It's the affect of the next months without relief that would be difficult without.

Q. In the Company's credit situation as stated, you base your answer in part upon the correctness of certain companies' exhibits that were furnished to you? A. Yes.

Q. Any error in those exhibits might also affect your answer? A. It would have some affect on my answer because I took them as being correct.

(Mr. Tingley) That's all.

CROSS-EXAMINATION.

By Mr. Clark:

Q. Mr. Hoyt, what did I understand you to say about the policy of the Company in continuing its dividend policy in the face of declining business? A. I said that if

the Company failed to earn the dividend and paid it or if the Company failed to declare, their dividend would have a further severe affect upon its credit. A continuing dividend record of course improves the credit of the Company.

Q. Did I understand you to say that it is better for a Company to pay its dividend out of surplus than to pass dividends if not earned? A. I would say that the affect of not earning and not paying might be somewhat more severe than not earning, but still paying out of accumulated surplus.

Q. Speaking from the viewpoint of a bondholder, what policy do you think would be to your interest? A. It's a rather close question. I think it's worthwhile if a Company is convinced that the period of inadequate earnings is to be a very short one, to continue a dividend policy, that it had been following a number of years, rather than to pass it for the reason I have mentioned; that a good dividend record improves the credit of the Company and helps to improve the price at which the bond is selling.

On the other hand, if the Company failed to earn a dividend and it saw no hope of earning it for a number of years, then it would be better in the interest of the bond holder to cut that dividend off and conserve its resources. It depends upon whether at the time this question comes up and there is a deficit in earnings as compared to the amount necessary to pay the dividend is regarded by the management as strictly a temporary matter or a matter that's likely to stay some time, in my opinion.

Q. Now speaking from the viewpoint of a prospective offer of a preferred stock it would absolutely be necessary to show higher earnings? A. I should think so.

Q. But so far as the bond holder is concerned, his position is strengthened if the dividends are suspended, rather than paid out of surplus? A. That doesn't necessarily follow. It might be as if the money that might have gone to dividends was invested in the fixed property of the Company and increase the corpus on which you have got a lien, of course you have more property behind your bonds than you have not, but if that sum is held for

working capital and your interest on your floating debt absorbs it later on, the bond holder isn't any better off then.

Q. In the case of a Company like the United, where the earnings never very far exceed dividend requirements, do you or not think it would be good policy to carry those excess earnings, when they are earned to an equalization or a dividend reserve rather than put into physical property? In other words, carried to surplus? A. If it is invested in additional physical property, in substance, that is a reserve for dividends. It would be very foolish for a Company to take the money, the excess above the dividend paid out, we will say, and invest it, in government bonds on which it could earn only a small percent, whereas if it invested it in its own property, it would earn considerably more than that.

Q. But I am talking about a case where it's desired policy is to maintain their dividends, but they are always close to the line, and probably carry $100,000 maybe $50,000 and sometimes $150,000 over to the corporate surplus, which when put into a dividend reserve and carried in interest-bearing securities in liquid form so as to protect them during years when they fall a few thousand dollars short of dividend requirements, would that be or not a good policy? A. I should think it would be a very questionable policy.

Q. It's done, isn't it? A. I don't think it's done particularly for that purpose, except perhaps some industrial concern that has a very large earning in one year and in the next year it is not likely to equal those earnings. It might invest some of its means in marketable securities. It has an excess of working capital and therefore it invests in securities in order to get a higher return than on bank loans, but in public utilities, I don't know of any company that has built up a dividend reserve, and invested it in securities that are earmarked particularly for that purpose.

Q. Mr. Hoyt, don't you know it to be a fact that it is what the Company is earning that strengthens or weakens its credit and not what it is paying on its common stock? A. I think the earnings are of more importance than the dividends paid. I will agree with you.

Q. Wouldn't it strengthen the bond holder and strengthen the credit, the borrowing power of the Company, if the Company were to suspend dividend payments on the common stock and increase its surplus until earnings improved? A. It's somewhat doubtful in my mind whether that would be the case or not, because the market valuable of the equity above your bonded debt under such conditions would be so small that the bond buyer would say there isn't very much here to protect me, and it's a close question, but I think it is somewhat desirable to create a market value for the equity as large as a company reasonably may under conservative management, by paying a reasonable part of its surplus earnings out in dividends.

RE-DIRECT EXAMINATION.

By Mr. Markell:

Q. Mr. Hoyt, do you think a Company that's already overloaded with bonds, and this Company is, can permanently continue buying without making any effort to do stock financing? A. I should think it would be very doubtful if its capital requirements are substantial.

Q. Wouldn't the policy of passing dividends defer stock financing to the indefinite future? A. It might have that tendency.

Q. Now I call your attention to this People's Counsel Exhibit No. 7 that you already had called to your attention. I also show you People's Counsel Exhibit No. 6, which is a list of securities issued by this Company in 1911. I ask you to direct your attention to the kind of finances and the rate of interest on some of this financing, as well as the earnings and dividends that are shown in the years covered by these exhibits and I will ask you to assume the testimony that's already been mentioned, that this Company now has outstanding two and a half million dollars of three-year notes that mature in two and a half years, and $1,901,000 of its own unfunded debt plus $400,000 of its subsidiary, and ask you to tell the Commission how you think that Company could have kept a liquid dividend reserve while it was in that financial condition, or where it was going to get the money to do it? A. Well,

of course, I suppose that the amount paid out in dividend might have been put in some sort of reserve instead of paid out.

Q. I mean with reference to the questions that were put to you about investing surplus in property, as to keeping it liquid instead of investing it in property? A. This surplus above the dividend paid out has the Company taken that surplus and put it in a reserve and in marketable securities it would have increased the amount which it would have had to borrow by issuing notes or going to banks and at a very high rate.

Q. It would increase its floating debt at a high rate and would have had liquid investments at a low rate? A. That's quite true.

Q. Will you tell the Commission whether you think that would have been a wise policy? A. I do not. I think it would have been very unwise.

CROSS-EXAMINATION

By Mr. Clark:

Q. It wouldn't have increased it very much, would it? A. Several hundred thousands of dollars, I don't know how much.

Q. Mr. Hoyt, when you are approached for an opinion from your investors with respect to the standing of a particular Company, we will say a utility such as the United, are the factors which you have considered today the only factors which you take into consideration? A. How is that?

Q. Are the factors, capital and operating, which you have considered today, the only factors which you take into consideration in advising your clients? A. I don't exactly understand what your question means. Of course, we consider not only the existing conditions, but the history and the prospects as far as we are enable to judge them.

Q. Yes. Now if it happens to be a railway company you investigate the operating ratio, don't you? A. We do, yes.

Q. And the United would show up very favorably, wouldn't they? A. I think it's better than the average.

Q. You would investigate the gross income per car-mile, wouldn't you? A. Yes, we would.

Q. And that would also show up favorably wouldn't it? A. I haven't seen the figures on that recently.

Q. Well they would figure in your calculation? A. They would.

Q. Then just as soon as you reached the high debt ratio, the red flag would go up, would it not? A. It would make us proceed with caution.

Q. And that big debt ratio altho the earnings are large per car-mile, would enable you to distribute those earnings in a way that would look very unfavorable to an investor? A. A very large proportion would be absorbed in the fixed charge. That's quite true.

Q. So the real trouble with the United is chiefly it's capital structure? A. When you say the real trouble that depends. Here is a very large investment, and no matter how the securities are represented apparently this large investment is obtaining a very inadequate return.

CROSS-EXAMINATION (CONT'D.)

By Mr. Toole:

Q. Why is it that railway companies do not reduce their bonded debt? A. Many of them have. They have been thru a receivership and come out of it with a smaller debt.

Q. Then the better way is to go thru a receivership to get rid of this bonded debt? A. Not necessarily. A receivership is usually accompanied by very inadequate service, very bad management and a very bad name for the city.

Q. But wouldn't that get rid of that dreadful debt sometime? A. I don't know whether it would or not.

Q. But it would in a way, wouldn't it? A. It would, in a way.

Q. Don't you think it is better when Companies are in

good condition, running well and making money, that they would retire their debt? A. No public utility earns enough so it can amortize a substantial part of its debt.

Q. They don't earn enough? A. No, they don't earn enough. No public utility that I know of.

Q. I don't know very much about this thing, but is it not true that these bonded debts are left stand so that the bond holders may have a good investment and continue to draw their investment? A. They are let stand because the stockholder and I presume that that represents an investment, doesn't want to lose his investment.

Q. Either you don't understand what I am talking about, or I don't. What I mean is, here is a company doing pretty well, making money, protected by many decisions of the highest court, it must earn a certain amount of money and all of that, you understand? Now isn't that a good investment? A. You said that it must earn. I said it's not earning.

Q. Now I am assuming a Company that is earning now. Isn't that a good Company to invest in? A. If it had a good record and good prospects, yes.

Q. Then it's a good thing for bond holders to keep their money in a little Company? A. Yes.

Q. All bond holders don't want them paid off, do they? A. Not if they are bearing a reasonable rate of interest and they could not reinvest the money to better advantage, they would prefer to leave in where it is.

Q. And don't you think that that has something to do with the fact that all railways companies usually never pay off their bonded debt? A. Well the question is whether a railway company, by paying it off, could borrow it more cheaply in some other form. That's merely good business.

Q. I know it is, but if you can borrow cheaper, why borrow at all? A. You can't pay it off, in my opinion, out of earnings.

Q. I am somewhat bonded myself. I have got a mortgage on my house, and I have been trying to pay it off, and I don't see no excuse for making another mortgage

to pay that money off, yet that's the practice of the railway company? A. Yes.

Q. To borrow to pay off and borrow to pay off? A. That's right.

Q. And every time another group makes more profit? A. Here is the point. It's rather technical, but I will tell you what the point is really. These public utilities are entitled to earn a certain return upon their property. We will assume 8%. They couldn't get along with that 8% unless they could borrow a part of the money they need under the 8% up to 40%.

Q. But if they would set aside a sinking fund and retire those bonds—let us assume that the United Railway Company years ago, when they were making lots of money, assuming it did.

(Mr. Markell) But it didn't.

Q. Suppose you get 10 cents. According to the figures presented here they were going to make a pile of money. Now wouldn't it be to the advantage of the Company in such an event to have a sinking fund, to pay off that bonded debt? A. Well, I will tell you how that works out. The Company has got to spend or would like to spend, we will assume, four or five million dollars a year for additional property or improvements or what not.

Q. You meant that they get it cheaper by borrowing it than by selling bonds? A. But if they take the money that they have and retire some 4% bonds, and then the next week go out and borrow it at 5 and a half or six, it's poor business.

(Mr. Toole) Well I guess we will have to let it stay there.

## CROSS-EXAMINATION

By Mr. Clark:

Q. Mr. Hoyt, I was speaking of the ratio of debt to total capitalization. Now when the ratio of debt to valuation is about 69 to 75, 69 million being debt including notes, and 75 million valuation, that's a very unfavorable position for the company to be in from a financial viewpoint, isn't it? A. That's quite true.

Q. And that is really the stumbling block in handling the securities of the United, isn't it? A. Not necessarily.

Q. I mean the additional securities. A. Suppose the debt was very low. Unless your Company had a record of prosperity, and of prospects, I think it would be difficult to sell its bond at a good figure, even if the debt were only 30 or 40 million, but that accentuates it.

Q. And it's a difficulty in financing? A. Yes.

Q. A difficulty which probably if you were absolutely disinterested, a difficulty which could not be overcome in advising your clients? A. I don't say that it could not be overcome. If this Company was a prosperous company it could arrange, I think, an exchange of debt for preferred stock, or something of that kind, which would overcome it.

Q. But the position of the Company is not that they are applying for this increase for the purpose of issuing preferred stock. That's all, Mr. Hoyt.

(Examination concluded.)

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Thereupon—

**JOHN J. NELLIGAN,**

a witness of lawful age, produced on behalf of the Applicant, having first been duly sworn according to law, was examined and testified as follows:

DIRECT EXAMINATION.

By Mr. Howard:

Q. Mr. Nelligan, you are the President of the Safe Deposit and Trust Company of Baltimore, aren't you? A. Yes, sir.

Q. How long have you been President and how long have you been connected with that institution? A. I have been President twelve years. I have been with the institution about forty.

Q. Now, during the time that you have been with the

institution, has your attention been devoted in any way to the study of companies which are the subject of investment? A. Yes, sir.

Q. Explain briefly to the Commission how far you have studied such matters, to what purpose? A. Of course our principal business is buying for trust estates, making investments for trust estates, and naturally when we come to make an investment, we examine all the available data, first the financial condition, the character of the property, the earnings. We don't buy stocks. It's an important thing for us to know something about the leeway of earnings over and above fixed charges.

Q. So is it not your duty from time to time and has it not been your practice to make a study of companies whose investments are offered?

Q. Including Public Utilities companies? A. Yes, sir.

Q. Many of those? A. Well, not a great many.

Q. They are included though? A. Yes.

Q. And in reference to companies in this city, your attention has frequently been directed to the United Railways and Electric Company of Baltimore, hasn't it. A. Yes, sir.

Q. Hasn't it been brought to your attention so as to keep yourself posted, in a general way, on its condition? A. It has.

Q. And its financial condition? A. Yes, sir.

Q. You familiarize yourself to some extent with its annual reports as they come out? A. Yes.

Q. And matters of that kind? A. Yes, sir.

Q. In a general way then do you know what makes good credit for a Company and what makes bad credit? A. Yes.

Q. And what the affect on a company's credit may be? Current and hence? A. Yes.

Q. You have seen the same exhibits that Mr. Hoyt testified had been shown him in this case with the possible ex-

ception I believe of the People's Counsel exhibit which I may mention later? A. Yes.

Q. Have you examined those? A. Yes, sir.

Q. Now will you tell the Commission whether from your knowledge of this Company, generally, and from information disclosed by those exhibits, whether or not the present situation is one that shows any danger to its credit standing unless some relief is given. A. I think that the present condition of the United Railways financially is really serious from our standpoint. A company having bank notes of two and a half million dollars, which is a quick come due thing, is a very dangerous situation. Unless that can be financed into some form of investment, which won't have a fixed interest obligation on it, I don't see where they are going to get the money.

Q. What is the affect of its credit situation as to earnings during the recent period shown by these exhibits that you have seen? A. Well for the years 1925 and '26, they made a favorable report, and our comparison of what the company done in the way of earnings, it looked pretty good.

Early in 1927 the information we had was gross earnings were going back, and that continued I believe for each month of this year. Well 3% decline in gross, if kept up, means that half of the surplus that they had last year would be wiped out. So it seemed to me that the situation was quite serious and was entitled to have some relief.

Q. So then I understand that in your opinion the situation which presented is a serious one? And one that may seriously affect the credit situation of the Company unless it is promptly relieved against? A. I do.

Q. What is the total amount of investments that your Company holds or controls? Can you remember approximately? A. At the book value which we are carrying, which is less than the actual value, I think it is about two hundred and thirty million dollars.

Q. And it is in connection with watching those invest-

ments and making new ones that your duty in posting yourself on the credit situation of companies principally arises, isn't it? A. Yes, sir.

CROSS EXAMINATION

By Mr. Tingley:

Q. Mr. Nelligan, has the Safe Deposit and Trust Company loaned any money to the United Railways and Electric Company? A. No, sir.

(Mr. Clark) One time I was told that you wouldn't do it?

(The Witness) I wouldn't like to be a lender today.

(Examination concluded.)

(Commissioner Harper) That closes your case?

(Mr. Howard) That closes our case.

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PEOPLE'S COUNSEL'S CASE CONTINUED

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Thereupon—

**H. CARL WOLF,**

a witness of lawful age, produced on behalf of the public Service Commission of Maryland, having heretofore been duly sworn, according to law, and whose examination was suspended for the purpose of hearing two witnesses on behalf of the Applicant, resumed the stand, was examined and testified as follows:

CROSS EXAMINATION.

(Continued).

By Mr. Howard:

Q. Mr. Wolf, your memory is probably better than mine. I think Exhibit No. 4 was the last one, wasn't it?

(Mr. Tingley) That was it.

Q. I will ask you to look just a moment at Ex. No. 5.

That is comparison of street railway operations in a certain number of different cities, isn't it?

Q. The next to the last city there is Indianapolis, isn't it? A. That's right.

Q. The amount in the next to the last column, should not that be the amount in the second column, divided by the amount in the first column of figures? A. It should.

Q. Isn't there a mistake in your arithmetic? Oughtn't that column to be about $81,800, instead of $56,300? A. Apparently it should.

Q. The mistake is probably in the arithmetic merely, isn't it? A. Yes.

(Mr. Tingley) Mr. Howard, we found one mathematical error, in your exhibits, but we didn't say anything about it because it was in our favor.

(Mr. Howard) Errors of that kind will happen and I don't claim any general inaccuracy. I simply want to get the table right.

(Mr. Tingley) That still makes that figures only about one half of the Baltimore figure, doesn't it, Mr. Wolf?

(The Witness) Yes.

Q. It raises it considerable, tho, doesn't it? A. Yes, but it is still considerably below Baltimore.

Q. Where did you get your figures for Pittsburgh? A. I think those all came out of the American Electric Railway Association bulletins No. 145 and No. 148.

Q. I think they are subject to correction? A. It may have been Moody's Manual.

Q. Exhibit No. 6, Mr. Wolf. That a tabulation of securities issued according to the records here since 1910, isn't it? A. That's right.

Q. I think it was already explained, wasn't it, that the last item there, those three notes were not issued in July, they are really issued in March? A. That's right.

Q. Because I believe Mr. Tingley had an exhibit showing overlap of interest during that period? A. That's right.

Q. Ex. No. 7 I have no questions to ask. I will ask you one thing about ex. number 8? In your line of average fares there, which are the correct points and which are merely the connecting lines? A. The correct points are taken off the heavy lines, to show the average fare for that year. The dots on the lines are simply to make it a broken line.

Q. What I mean is that anyone looking at this table might think that the beginning of 1917, a rise began and continued until the beginning of the year 1918? A. Oh, I think not. I think it's apparent that the line simply joins the averages for the year.

Q. In other words, the line is a mere joining line? A. That's right. The same thing is true of the other costs. The retail food cost.

Q. Ex. No. 9 is the new exhibit that hasn't been furnished to us before, isn't it? A. That's right.

Q. It's an attempt to figure what days of the week these shrinkage in receipts are principally attributable to, isn't that it? A. That's right.

(Mr. Howard) I think I have nothing to ask about that.

## REDIRECT EXAMINATION

By Mr. Tingley:

Q. Mr. Wolf, in connection with exhibit No. 1, do you think that it would be proper to add the items that Mr. Howard referred to that were eliminated from your exhibit? A. I do not.

Q. As to Exhibit No. 2 do you think that the accident reserve and the power charge should be larger than is shown in the exhibit? A. I do not.

(The Chairman) Mr. Tingley has just mentioned something about which I have been somewhat confused. Mr. Emmons testified I think to a power charge, an in-

creased power charge of $120,000. When Mr. Wolf was questioned by Mr. Howard on that matter, as to whether he had figured that in he said he had not and did not think it should be allowed.

Now my understanding of the power contract situation was that the United Railways would pay about $30,000 more a year this year than it did last under the new contract, than it did under the old contract, certainly for the first year or so. I would like to have you explain, Mr. Wolf, just what you mean by saying that it should not be allowed,

(The Witness) This $120,000 to which Mr. Emmons referred is a matter of controversy between themselves and Mr. Wagner of the Gas Company, as I understand. The contract under which the Company is now working is laid on the basic principle of cost plus profit, that cost being the cost of generating current, the cost to the Consolidated of generating current, plus the cost of the use of its property.

There is also a clause in that contract which states that the United shall get at least as good a rate as any other customer of the Gas Company.

In my estimation if the present rate is increased, the United will not be getting that. The copper works now gets a considerable better rate than the United, and when that rate is adjusted for all the conditions for which it can be adjusted it is still lower than the United's present rate. Now that one condition that cannot be adjusted is the condition by which the Copper Works can be cut off in case of emergency, whereas the United supposedly cannot. The United is supposed to have priority, so for that priority the United is now paying, as I estimated it some time back, about one mill and in my estimation that's as much as they should pay, and even more than they should pay for that privilege.

Now with the power economy measures that the United have had under way and which have been very fine and very commendable, in my estimation the load of the United has been decreased. It's load, both its maximum demand and its kilowatt hours so that the proportion

of its use of the Consolidated's plant has correspondingly decreased, so with that thought in mind I can't see but what the power costs to the United ought to be no greater and perhaps even less than they have been.

(Mr. Emmons) Mr. Chairman, may I just get that thing straight about that. We are supposed under the contract not to have a higher rate than any other person operating under similar conditions. The Copper Works, we know is a constant load. Our load is a very heavy peak, and another heavy peak, so that the conditions are not the same. The point of the increased rate of $120,000 is made up in this way. Probably the load is less. The very fact that we have a less load make the load less in Westport and increased the per Kilowatt hour costs. We have started in this year figuring the old years rate of 9.36 because their cost increased per KW due to our lower kilowatt consumption, consequently there is an increased cost per KW for the power that already has been used, plus the power that is yet to be used, which makes $120,000.

(The Chairman) Mr. Wolf, you mentioned a moment ago the possibility of a condition under which the Copper Works could be cut off,

(The Witness) Yes, sir.

(The Chairman) Is there any conceivable condition under which the Consolidated Gas Company would cut off the service of a customer like the Copper Works or of any other customer, it makes money on its contract. It is in business for supplying power.

(The Witness) The same efforts are put forth, as near as I can determine by the Consolidated to keep the Copper Works on its line, as it puts forth to keep any other customers on its lines. I think there was one time when the Copper Works, was disconnected before other customers. That was a time in an emergency, when a large number of other customers were disconnected, the Copper Company being the first, but that was only for a few moments, but perhaps two minutes.

(Mr. Tingley) Isn't it true that that was a cut off before the Golds Street Plant, and not since?

(The Witness) I think only once in the history of the Company.

(The Chairman) I should assume that the only reason for cutting off any customer, large or small, would be some purpose of the Company itself in shifting over for one thing or another, which would probably be momentary, and my understanding is that the service of the United has been stopped for one reason or another, or by some accident, or catastrophe, which would cause the Gas Company to shut down a part of its plant.

(The Witness) In the case of an accident, all customers of course are liable to be treated alike. There would be no choice. In the case of a limited power supply, which happened on this one occasion, there had to be a choice made as between customers to be cut off in order to reduce the demand to the available supply for the course of a minute or so, and at that time the Copper Works was cut off.

I might say there has been very close co-operation between the United people and the Consolidated people in maintaining a constant power supply to the United because they know it's important to the public of Baltimore.

(The Chairman) It was the Commission's understanding with Mr. Wagner, an informal understanding, that the bill of the United would be about $30,000 more.
I think there was some testimony in the case recently to that effect?

(The Witness) Yes, sir. I think perhaps, Mr. Chairman, that situation,—Mr. Wagner's statement based on those conditions would change the day. What he was referring to at that time, as I recall it, was the increase to the Consolidated of the cost of hydro current, the price that the Consolidated was to pay for that current in question. He pointed out, as I recall it, that that increased price would only mean about $30,000 to the power cost of the United. Since that time Gould Street has

come into operation and it has shown even better results than they anticipated, and I believe offset that $30,000.

(Mr. Howard) If I understand then the reason for thinking that element be eliminated is because in your opinion, of the most favored customer clause in the contract of the United, they ought to be able to get as good a rate as the Baltimore Copper Company?

(The Witness) I say they ought to be able to get closer to the rate of the Baltimore Copper Works than they do now.

(Mr. Howard) If the clause operated at all they ought to have the same rate?

(The Witness) I can see where the Copper Works might get some advantage.

(The Chairman) I think Mr. Emmons just pointed that out, that the Copper works had an absolutely steady load and the United had a fluctuating load, but at the same time, according to Mr. Wolf's statement, those conditions were adjusted, and after adjustment of those conditions, it resulted in about a mill higher price to the United than to the Copper Company.

(Mr. Howard) Nevertheless a situation where a customer who agrees that in case of an emergency, he may be shut off first is entitled to a special consideration.

(The Chairman) Of course I suppose that's in the contract, but as a practical matter I can't conceive of the Consolidated shutting down the power, either of the Copper Company or the United Railways Company of any tremendously large user of power if they can possibly help, and the only thing that would bring that about would be something in the nature of a catastrophe.

(Mr. Howard) But the point is this: if they shut down on the United Railways, all the wheels on the street stop running, and it is not a loss of revenue, but of prestige. If they shut down on the copper company, the chemical work is shut down for a while and then resumed as before.

(The Chairman) That's true, but if they shut down

altogether they would shut down the wheels of industries of everything.

(Mr. Howard) Were you with the Commission when the first rate case was tried in 1913 and I represented the Copper Company and everybody claimed that the Copper Company got too low a rate than anyone else, and the Commission considered the difference between its demand and the class of service it got as justifying a very much lower rate, than to any other customer?

(The Witness) No, sir, I wasn't with the Commission at that time, Mr. Howard.

(M.. Howard) I don't believe the present Commission was either, but if they will refer to the records of that case,——

(The Chairman) Wasn't that a case in which the Commission abrogated the contracts?

(Mr. Howard) Not on the ground of the Copper Company, but on the manufacturers. But so far as the relative standing was concerned, it gave special consideration to the Copper Company. The only change made in the Copper Company's contract, was to add the fuel adjustment charge.

(Examination concluded.)

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Thereupon—

**CHARLES NODDER,**

a witness of lawful age, produced on behalf of the Public Service Commission, of Maryland, having first been duly sworn, according to law, was examined and testified as follows:

DIRECT EXAMINATION.

By Mr. Tingley:

Q. Mr. Nodder, state your full name, please. A. Charles Nodder.

Q. State you official connection with the Public Service Commission? A. Chief Auditor for the Commission.

Q. Mr. Nodder, for purposes of the record will you state your qualifications as a Chief Auditor?

(Mr. Howard) We will admit them, Mr. Tingley.

(Mr. Tingley) I would like to bring them out. He has some particular experience with street railway properties, but if that's conceded, all right.

Q. (By Mr. Tingley) Mr. Nodder, have you made an investigation and prepared some exhibits with reference to the claim of the United Railways and Electric Company that an emergency exists, requiring an immediate temporary increase in fare? A. I have.

Q. Will you state the results of that investigation to the Commission? A. I want to file the first exhibit I have prepared, which is a statement of the income and surplus accounts of the United Railways Company from 1920 to 1926 which I took from the annual reports to the Commission.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 12.

(The Witness) This statement shows the railway operating income and expenses down to the net income return of the United Railways Company for the years 1920 to 1926.

It shows that during the last four years 1923 to 1926, the Company has earned considerably in excess of its dividend requirements. Since 1921, net income has, with one slight exception, 1924, been gradually on the increase, so that at least until December 31st, 1926, the Company seemed to be in a growing healthy condition.

The second half of the statement is an analysis of surplus just briefly stated as shown in the annual report. It shows a surplus at the beginning of the year, the net income brought down for the year, and then other miscellaneous credits made to surplus, and shows the divi-

dend paid, common and preferred, and various other charges against surplus, under other deductions, and the surplus is shown at the end of the year, in the last line. It is to be noted that dividends were to be paid in 1922 on a 2% basis and since then on a 4% basis. The item of dividends preferred, just shows a small amount in 1920, but that's a little hangover when the preferred stock as of that time was retired, so all the statement shows that while no preferred dividend has been paid, that is because there was no preferred stock outstanding. I just mentioned that so that no confusion may exist as to the reason for the preferred stock not being shown as dividend paying.

While speaking on dividends, it has already been brought out in this hearing that three quarterly dividends have been paid so far this year. That includes the dividend that was due and payable August 14th of this year. In other words, dividends in 1927 amounting to $613,836.00 have been paid, altho earnings have not reached more than $400.000.

Apparently an immediate emergency did not exist that would prevent a depletion of the Company's surplus for the payment of dividends.

Further in connection with this dividend business I might say that an examination of the stock exchange sales on the Baltimore Exchange for the last two or three years shows that the prices on the exchange ranged from 16 to 21, averaging less than 20. The last quotation I noticed was two or three days ago at 18 and 7/8's which was day before yesterday, I believe.

These dividend earnings, therefore, or these dividend payments rather, which are 4% on the par value of 50, actually amount to 10% or more on the market value, which is a fairly good return on a stock of that nature.

The statement has been prepared more for the general information of the Commission so that a gradual picture may be shown on the condition of the company up to December 31st, 1926.

(The Chairman) On December 31st, 1926, there were $2,020,000 in surplus.

(The Witness) That's correct. One thing I would like to show is that the net income of the Company has in the last five years, as I have already stated, shows a gradual increase. Considerable has been said in this hearing about fluctuations which have happened in the Company's net income, the inference being that fluctuations instead of being back and forth, were all downward. As a matter of fact the result here shown is that the net income with the exception of one year, 1924, has over that period since 1921, gradually increased.

I spoke just a minute ago of dividends. There occurred to me a suggestion that the Company might think well of in the payment of its dividends, based on a little calculation I made of the result of paying its dividend in one payment per year, at the end of the year, rather than paying it four quarterly installments. If the 1926 dividend had been paid December 31st, 1926, instead of on February 14th, May 14th, August 14 and November 14th, interest at the rate of 6% in the amount of $23,000 would have accrued to the Company which would have been quite a little source of income.

Q. Have you anything to say in connection with that exhibit, as to an increase in operating expenses? A. Yes. It should be noted from this statement that operating expenses practically every year have increased. In spite of so called economies the operating ratio has remained approximately constant. For instance, while it's not shown here on the statement, the calculations can readily be made, that in 1922 the operating ratio was 64.69; in 1923, 64.53; in 1924, 64.66; in 1925, 64.86; in 1926, 64.55. Practically constant.

Now if those operating expenses be based on the car mile basis which is more or less a measure of service rendered, the result of any so called economies of operation disappear.

Q. If I might explain just one thing, that "So called" I think Mr. Nodder used in a sense that some of the items were economies, it wasn't meant as a reflection on

the management of the Company? A. No. I find that in the last few years, operating expenses per car mile, have gradually increased from 29.57 cents in 1924 to 30.17 cents in 1925, and to 30.56 cents in 1926. This condition has not improved either in the seven months ended July 31st. The operating expenses per car mile during the latter periods being 31.08 cents per car mile.

It certainly seems to me that if a real emergency situation existed during this latter period the many efforts made by the management to cut expenses to a minimum necessity should be reflected in the cost per car mile.

Now in arriving at those operating expenses per car mile, I have used these figures. In 1922 the car miles were 34,964,036; operating expenses which includes depreciation $10,429,122, that gives an operating expense per car mile of 29.83 cents.

In 1923 the car miles were 35,873,841 operating expenses, including depreciation, $10,622,402, giving operating expenses per car mile of 29.61c.

In 1924 car miles were 35,973,691, operating expenses, $1,736,925, giving operating expenses per car mile 29.57c.

In 1925, car miles 35,717,666, operating expenses $10,776,811, with operating expenses per car mile of 30.17c.

In 1926, car miles 35,304,583, operating expenses $10,790,804, operating expenses per car mile 30.56c.

For the seven months ended July 31st, 1927, the car miles were 20,133,441, operating expenses, $6,258,381, and of operating expense per car mile of 30.08c.

Q. Does that complete your comment in connection with that exhibit, Mr. Nodder? A. Yes, sir.

Q. Have you prepared an exhibit "Comparison of net income for the first and last year month's period for the years 1920 to 1926?" A. I have.

(Mr. Tingley): I ask that that be introduced in evidence and marked People's Counsel Ex. No. 13.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 13.

Q. Mr. Nodder, will you comment on and explain that exhibit? A. This is an exhibit which shows a comparison of the net income for the first and last half periods of each year from 1920 to 1926.

The first column shows the net income for the year, for which the study is made. The next column shows the net income for the first six months of the year, and the next column for the second six months of the year. From these columns there has been computed a percentage that each of the six months income bears to the total years income. For instance in 1920 the first six months' income represents 44.026% of the total income for the year.

Likewise for the second six months, represents 55.974% of the annual income.

These percents have been in like manner calculated for each year from 1920 to 1926.

From these percentages there has been prepared an average of the various percentages of the first and second half year's income. This average shows that the first six months represents 41.154% of the net income for the year's net income, and the second six months is 58.846% of the year's income.

Now using the average figures as a basis for 1927 income, taking the earnings for the first six months of this year, $347,479.88 will result in a net income for the second six months of this year of $496,860.60, or a total for the year of $844,340.48, which is approximately $26,000 in excess of the Company's dividend requirements, and I might say by dividend requirement, I mean specifically the amount that has been paid in the last few years.

Not that there is any special requirement due.

Now if we take the highest percentage that bears to the total income as shown by the first half of the statement, and apply that to the earnings of the first six months of this year, we find that the second six months' income will become $625,308.14, or a total for the year of $972,788.02.

(The Chairman): That's based on 1922?

(The Witness): That happens to be 1922. Now if, on the other hand, we take the lowest percentage that has happened in those last seven years, the lowest percentage of the second half year's income bears to the total income, and which happens to be 1926, we find that the second six months' income would become $396,811.51, or a total for the year of $144,291.39.

The purpose of this exhibit is not primarily for the purpose of showing that the second half of this year will follow the trend as shown herein, but it is more reasonable to estimate. I think that the second half of this year will follow the average of seven years, rather than be based on the three months of May, June and July, as has been attempted in Company's Exhibit No. 7.

Q. Mr. Nodder, the year 1924 shows a reduction that was caused in part by the increase in fare. How does that effect the percentage there? A. I believe the increase in fare, came in the second half of the year, didn't it?

Q. Second half of 1924, June 1st. A. So that percentage would have a tendency, I presume to lower the average because the second year without a fare increase would have been lower.

Q. Been 39.60 approximately? Wouldn't it? A. Approximately, yes; made a very slight difference in the average.

Now the fact is that every year on this exhibit, the first half has been less than the second half, and from that fact I draw the conclusion that this year's income would at least be greater than the first half; that is, the income for the second half would be much greater than the income for the first half of the year, so that if we have 340 some thousand dollars for the first six months' income, the income for the year should not be less than twice that or approximately $800,000.

Q. Doesn't that check the estimate in People's Counsel Ex. No. 1? A. That draws very closely to that figure. I want to also mention and in discussing this first and second six months' income, and an interesting thing to bring to the Commission's attention is that the Com-

pany's accountants, in computing their income tax for the year, have used an income for the second half of the year of $372,500. This would show approximately $820,000 for the year or approximately their dividend requirements, and I might say that this computation was made at least sometime in July, because the method of the computation takes into consideration actual income for the first six months, which was not shown, of course, until after June. That will be shown in my next exhibit.

Q. The next exhibit you want to take up is taxes paid for the years 1923 to 1926 and estimated taxes for the year 1927? A. That is correct.

(Mr. Tingley) I would ask that be introduced in evidence and marked People's Counsel Ex. No. 14.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Ex. No. 14.

Q. Will you explain and comment on that exhibit, Mr. Nodder? A. This is a statement showing the taxes paid for the years 1923 to 1926 and an estimate of the taxes for the year 1927.

This statement shows in detail separately the park taxes, licenses and gasoline taxes, state and county taxes, this latter item, including the State of Maryland, capital stock tax, and then there is the Baltimore Sparrows Point and Chesapeake Railroad taxes which are, we think, holding taxes for the most point in outstanding bonds, the next item subway rental, which is payable to the city for the rental of its underground conduits, which has been classed by the Company as taxes, then comes Federal income taxes and the last two, Federal capital stock tax, and miscellaneous war taxes, both of which are now repealed to a large extent, and the capital stock tax, actually repealed, and the miscellaneous war taxes, as far as the material use by the United is concerned, have no further effect.

I have estimated for the year 1927 a total tax of $1,620,047.87.

Q. Does that closely check Mr. Wolf's estimate in Ex. No. 1? A. That is very close to Mr. Wolf's figures.

As a matter of fact, Mr. Wolf has used a considerable number of these figures in arriving at his estimate. We worked together on that.

The estimate for 1927 has been based in part, taking the park tax first for instance, a study has been made of the percentage which the park tax bears to total passenger revenue, in three preceding years. In 1924 the Park Tax was 6.91 per cent of passenger revenues; in 1925, this tax was 6.84 per cent of passenger revenue, in 1926 it was 6.77 per cent. In other words, there has been a retrogression in those three years of .7 each year. Now basing this same rate of retrogression of .07 per cent the basis for 1907 would be 6.70 and this percentage has been applied to the estimated passenger revenue shows in Mr. Wolf's Exhibit No. 2, $16,099,848.00 and gives a park tax approximately of $1,078,690.00. I think that's a figure too that Mr. Wolf used in that same exhibit, Mr. Tingley.

Now, in computing license and gasoline taxes, I have used the same figure as last year. There may be some small change, but it will not be very relevant.

State, county and city taxes have been shown in sheet No. 2 of the exhibit.

The property taxes are based on the actual bills received for such taxes in Baltimore City, and the Annex and in Baltimore County. They aggregate $340,000. The capital stock tax has been based on last year's figures, that is last year's assessment, and it will be noticed that the 409,224 shares at the 1926 valuation of $37.00 per share produces some $15,141,288.00. Against that in computing the capital stock tax there is applied a credit of the real estate assessment, together with certain tax paying shares which are estimated at the 1926 figure, and give a total credit of $1,007,433 and an assessment per share of $2.462.

I might explain right here that the $75,000 tax increase that Mr. Emmons spoke of is to a large extent taken care of in this capital stock tax assessment. In other words, any increase in the real estate assessment is correspondingly allowed as a credit against the capital stock tax assessment, so that no matter how high the

real estate assessment may be, then higher figure is applied against a capital stock tax assessment and lowers that tax.

(Mr. Howard) Is it your understanding, there is no limit to that and when you reach a physical value——

(The Witness) When you reach a physical value your real estate taxes become property taxes.

(Mr. Markell) That figure has been reached in the past.

(The Witness) Is it higher?

(Mr. Markell) The per share valuation is on a property basis.

(The Witness) As I understand it in 1926, the per share value was $37.00 and a total assessment of $15,000,000 for capital stock purposes.

(Mr. Markell) That was on a property basis.

(The Witness) I am speaking now of the assessment that has been made against the Company, on the capital stock tax.

(Mr. Markell) The thirty-five dollars is because it was made on the property basis, so that keeping it on a property basis, the higher the real estate goes up the higher the $35.00 would have to go up unless you can sell preferred stock under the Act of 1927, which is just what Mr. Emmons said.

(The Witness) You think that $35.00 is too high for the capital stock assessment?

(Mr. Howard) We might, but the State Tax Commission think now it's too low since they have raised our real estate.

(The Witness) I am using here the 1926 figures as actually shown. I am using them as a basis for the 1927 figures.

(Mr. Howard) I only wanted to find out whether you took that consideration into account.

(The Witness) I took into consideration that if just

a nominal amount of preferred stock is issued, it would not allow the State Tax Commission to increase your assessment on the capital stock tax, so that a nominal issue of preferred stock would keep that assessment at $15,000,000 even if you issued one share of stock.

Now, the Subway rental has been based on the previous year's figures. There may be some small change in that, but an appreciably.

Federal income taxes have been based on the Company's own accountant's estimate. I just spoke of that and sheet No. 3 shows a detailed computation.

The net income for the first six months, $347,000, has been taken as a starting point and an estimated net income for the second six months of $472,000, giving a taxable net income of $855,000.00 against which was applied by the accountant, $305,000 for maintenance charges, in track construction, which are charges against the depreciation reserve, but are allowed by the income tax people as a deduction.

That gives a net taxable income of $550,000 which at 13½% is $74,250.00.

(Mr. Tingley) Does that complete your comment on that exhibit, Mr. Nodder?

(The Witness) Yes, sir.

(Examination suspended.)

NOTE: At 3:58 o'clock P. M., The Commission then adjourned until Tuesday, September 13th, 1927, at 10 o'clock A. M.

FIFTH DAY.

Thereupon—

**CHARLES NODDER,**

a witness of lawful age, produced on behalf of the Public Service Commission of Maryland, having heretofore been duly sworn according to law and whose examination was suspended for the purpose of adjournment, resumed the stand was examined and testified as follows:

DIRECT EXAMINATION (Continued).

By Mr. Tingley:

Q. Mr. Nodder, have you prepared an exhibit entitled "Free Tickets of all Descriptions issued in 1926"? A. Yes sir.

(Mr. Tingley): Will you hand that to the Stenographer and ask that it be marked People's Counsel Exhibit No. 15.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Exhibit No. 15.

Q. Will you describe and comment on that exhibit Mr. Nodder. A. This is an exhibit which shows the free riders of the United, that is, the accounted for riders that don't drop their fares in the box. During 1926 tickets were issued to these free riders in the total of 5,674,893. The exhibit enumerates the various classes of transportation and to whom the tickets and coupon pass books were issued. Particular attention is directed to the last section of this exhibit, those that were issued to park concessionaires and employees. This shows that coupon pass books, as well as individual tickets, were issued to concessionaires and to their employees, by concessionaires I mean concessionaires of the Bay Shore and Gwynn Oak Park, and it will be noted that 294 coupon books, containing 100 tickets, were issued to concessionaires themselves and approximately 95,000 individual tickets to the employees of concessionaires. I know of no warrant in the law which would allow the

Company to issue these tickets, although it is done, as I understand, under a clause in the rental contract with the concessionaires granting them free transportation to and from the parks.

Another large item in this exhibit are tickets issued to plain clothes men in the police department.

Q. You might explain that The policemen and firemen who are in uniform don't use ticekts? A. They ride free on their uniforms. Those, however, who are not in uniform, plain clothes men so spoken of, are issued tickets by the company. No record to my knowledge is actually kept of the number of policemen and firemen who ride free on their uniform, that is, those who are not actually issued tickets.

It seems to me this is quite a source of revenue that the Company could well avail itself of and relieve some other burden of the fare paying public.

To resolve these figures into dollars and cents. If we take the first five items on the exhibit, those are coupon books that are issued to employees outside of strictly business requirements. Those amount to something like 4,300,000 tickets at 7½ cent fare on the two token system would amount to over $324,000.

Now tickets issued to the Police Department for plain-clothes men, some 273,600 tickets, at 7½ cents would be $20,520.

The tickets issued to concessionaires, 125,000 approximately, at 7½ cents would be over $9,200.

I have made some estimate of the Police and Fire Department riders. Assuming approximately 1,200 policemen on the force riding just twice a day, a good many of them go home to lunch incidentally and would ride four times a day, would aggregate something like $92,000 additional revenue that the Company could collect if it should ever care to charge police for riding.

Q. Mr. Nodder, have you prepared an exhibit entitled "Effect on Income Account of Issue of 3 Year Notes of March 1, 1927"? A. I have.

(Mr. Tingley): I ask that that be handed the Stenographer and marked People's Counsel Exhibit No. 16.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Exhibit No. 16.

Q. Will you describe and comment on that exhibit Mr. Nodder? A. This exhibit shows one of the items contributing to a reduced net income for 1927. Fixed Charges to July 31st of this year are more than $38,000 in excess of what they normally would be. This is occasioned by the issuance in March of two and a half million par value 3 year 6% Notes to redeem a like amount of 5 year Notes which did not mature until August 1st. The issuance of this new series of notes on March 4th, or approximately five months ahead of the maturity date of the old five year notes, caused a duplication of interest payments during the period March 4th to July 31st as shown on the first line of the exhibit $31,649.09. This is due to the fact that only part of the five year notes were redeemed on March 4th, there being unredeemed at July 31st $1,270,000 par value of the five year notes.

$1,148,000 par value of these notes were actually redeemed on March 4th and at various times during the period between March 4th to July 31st smaller amounts were retired. Practically all of these latter amounts were retired at a premium ranging from ⅜ to ⅛ of 1% in addition to the commissions charged as a usual thing by the brokers for handling the transaction.

This exhibit shows by months the effect on the carrier's income of this particular financing. The exhibit deals first with the interest separately for both the five year notes and the three year notes. Then the item of Discount is shown showing that discount on the five year notes was $6,702, speaking of totals now, and on the three year notes $12,137.65. This is in addition to some $4,442 which was charged to Surplus upon retirement of the old notes. The actual discount on these old notes during that period was $11,079.82. However, this exhibit merely deals with the duplication in the income account.

It will be noted that the total charged to deductions from Gross Income, to Fixed Charges that is, amounts to $11,738.92. I have deducted from this interest and discount pertaining purely to the three year six per cent. notes of $73,387.65, leaves a duplication of interest and discount in deductions from Gross Income of $38,351.27. There was allowed however by the banking house on funds that were left in their hands pending the final redemption of the old five year notes, interest was allowed $19,644.68, so that there is an actual net duplication in income account of $18,706.59.

Now in spite of the fact that those old five year notes were being retired at a premium, the new three year notes were issued at a discount of three fourths of 1%, and commissions were paid to the Syndicate Managers of 2½%. The total discount, commissions and expenses on the issue of this new series of notes amounted to $87,390.85, the proceeds being the equivalent to 96.50 per cent.

One other thing that may be pointed out in connection with this exhibit is the fact that the notes that were issued in 1922 were sold at a discount of 2% and commissions paid of 3%, netting after other expenses about 94¾. The notes sold in 1927 were disposed of at a discount of three fourths of 1% and commissions paid of 2½%, netting after all expenses over 96½.

Q. Would that indicate impaired borrowing power? A. That would indicate to me a better credit position than the company held in 1922 in that its money cost approximately 2% less.

Q. Mr. Nodder, have you prepared an exhibit entitled "Accident and Damage Accounts" United Railways and Electric Company? A. Yes, sir.

(Mr. Tingley) I ask that that be introduced as evidence and marked People's Counsel Exhibit No. 17.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Exhibit No. 17.

Q. Will you explain and comment on that exhibit, Mr. Nodder? A. This exhibit has been prepared by me as a comment on the Company's Exhibit No. 7. There is

shown on that exhibit an estimate of $120,000 additional charge to be made in the second six months of 1927 for accident reserve. This account, as I understand it, is based on the fact that the reserve during the first few months of the year has been depleted some $10,000 per month, and on the assumption that the same thing will happen during the remaining months of the year the same proportion of $10,000 has been charged in estimating an additional charge of $120,000.

This exhibit shows over a period of six years, that is, since the reserve as such was actually begun, the amount set up in the reserve and the amount charged to expenses to take care of the cost of the accidents themselves. It will be noted that from 1921 to 1924 the charges to income, that is the second column, were in excess of the actual cost of accidents which is shown in the first column.

For instance, 1921, the cost of the accidents, which incidentally includes the cost of the claim department, was $570,700.10, while charges were made to income to provide for these claims of $645,890.06 in that year, and in the next year the provision was made on the basis of 4% of revenue.

This percentage was cut in 1923 to 3½% and in subsequent years and up to the present time it's 3¼% of revenue.

It will be noted also that the last two years, that is 1925 and '26, the charges to income on the 3¼% of revenue has not been sufficient to cover the cost of claims. However I do want to make one comment on 1926 figure which is shown as estimated. This is made up of the actual accidents paid for 1926 to July 31st, and an estimate was then made by the Company's Claim Department at July 31st of the claims which they would be expected to pay for 1926. The total of those two aggregate $628,979.41. One thing I would comment on that the estimate for 1926 is over $30,000 in excess of 1925, so that while the aggregate is on an estimated basis the estimate is perhaps subject to some correction.

It seems to me that this exhibit shows that instead

of loading the last six months of this year with an amount of $120,000, which would raise the reserve to the 1923 mark when the reserve accrual was decreased from 3½ to 3¼ per cent. of revenues, it would be logical to withhold such action bearing in mind that at December 31, 1926, the reserve was $302,000, while claims paid during the seven months of this year and estimated as I have already mentioned as still being due for this year total $292,848.25. The reserve at December 31, 1926, was still in excess of the claim requirements even though estimated, and as I say 1926 is pretty well estimated.

As far as 1927 accidents are concerned to July 31, 1927, $228,063.25 has been paid out in claims and in claim department expenses, while $340,639.00 has been charged to expenses. It is at present a little premature to anticipate what accidents will occur during the balance of this year, but it does not seem proper to me to increase the reserve merely to provide a larger reserve out of operating expenses. The thing to do would be to reduce accidents rather than increase the reserve therefore.

I want to make one comment on Company's Exhibit No. 6. In 1926 it is shown that profits and loss debits distributed to appropriate years is $11,776.95. This, as was brought out in cross-examination, includes $100,000 for property abandoned chargeable to operating expenses. This amount however of $100,000 is, according to the Commission's classification, a proper charge to profit and loss and if not an operation expense. Now if that item of $100,000 is taken out the return received for 1926 would show $4,389,203.37 which would result in a return of instead of 5.912 of 6.05.

Q. Mr. Nodder, have you an exhibit on the cost of painting the war paint street cars? A. Yes sir.

(Mr. Tingley): I ask that be offered in evidence and marked People's Counsel Exhibit No. 18.

NOTE: Statement above referred to is here filed in evidence and marked People's Counsel Exhibit No. 18.

Q. Will you explain and comment on that exhibit, Mr. Nodder? A. This exhibit shows the approximate cost

of painting various types of various colored cars exterior only. This exhibit has been prepared from data secured from the United Railways Superintendent of Rolling Stock and Shops relative to the cost of painting various types of cars at the present time or during the last few months.

The approximate cost of painting the exterior of the standard semi-convertible car in a standard color of red is shown in the first item to be $65.00. The approximate cost of painting the various shades which have been running through our streets in the last few months are shown following that amount. For instance, Car No. 4635 was painted American Vermillion and Cream at a cost of $98.00. The next one was painted autumn brown and continental buff with red band at a cost of $96.00. I won't read the balance of them. It sounds like a dress creation from Paris, so I won't go through those. It will be noted however that the cheapest of these paint jobs in fancy colors was $85.00, Car No. 5694.

Q. Which was the car picked out for the beauty contest? A. I understand car No. 5158, Malori Green.

(Mr. Emmons) Without the band.

Q. And the cost of painting that car was what? A. $100.00.

Q. How many cars pass through the paint shops a year? A. Approximately 1200 cars pass through the paint shops each year.

Q. What would be the increased cost of painting the cars on the basis of the prize winning car for a year? A. The prize winning car is approximately $35.00 more than the standard color. 1,200 cars at $35.00 would show an excess cost of painting of $42,000.

(Mr. Tingley): Mr. Nodder is with you for cross examination.

(Mr. Clark): Before cross examination could I ask one question, please? That exhibit No. 17, how was that cost of accidents and claims made up Mr. Nodder?

(The Witness): That cost of accidents and claims

covers the cost of the Claim Department plus actual claims paid out.

(Mr. Clark): That includes all the costs of operating the department then?

(The Witness): That's correct.

(Mr. Clark): Do you know the increases with respect to operating the department of 1921 to 1926 from year to year?

(The Witness): I can give you those figures Mr. Clark. The cost of operating the department in 1921 was $108,732.00. I am speaking in round figures now. In 1922, $97,768; 1923, $103,527; 1924, $106,780; 1925, $109,659.00; 1926, $107,108.66.

CROSS EXAMINATION

By Mr. Howard:

Q. Mr. Nodder your exhibit No. 12 is made up from the returns on file with the Commission, isn't it? A. Yes.

Q. So we will pass from that. In Exhibit No. 14, which was your statement of taxes, you assumed no increase in taxes, did you? A. Or 1927? No, I assumed a reduction as a matter of fact.

Q. But I mean so far as the local taxes in the State and City are concerned, you assumed no increase. A. No sir, for the reasons as I stated the other day that the capital stock tax is allowed a credit for any increase in assessment of the real estate tax.

Q. Now Ex. No. 15 is the first one you filed today? A. Yes sir.

Q. That's the free ticket exhibit. That is based on the number of pass books and free tickets issued during the year, isn't it? A. Yes sir.

Q. All those pass books are marked for the year that they are issued and can't be used in a subsequent year? A. That's my understanding.

Q. Isn't it also a fact that considerably less are used

than are issued? A. There were issued, last year, as shown by this exhibit, five million 674. There were actually shown by the Company's statement to the Commission some four million eight hundred and seventy-six.

Q. So there is a substantial difference between the amount issued and the amount used? A. There is quite a difference, yes.

Q. And that is true of each previous year, isn't it? A. Yes sir.

Q. You adopted, however, as the basis of your exhibit, the amount of pass books issued and not the tickets used? A. (Mr. Tingley): Will you explain why that was?

(The Witness): Yes. In talking this over with your Mr. Dietz, he explained that it was impractical to give me the actual amount that was collected of these various types of tickets, so the only thing I could do was to get what were issued, and the difference is less than 10%.

Q. You gave the amounts for 1926 that were actually used and said they were four million eight hundred and seventy-six? A. Those were the total acutally used.

Q. And you likewise had the total figures furnished you for the previous years too? A. They are in the report.

Q. And they are in each case substantially less? A. I can't say for previous years, because this is the only year I got the figure for those that were actually issued.

Q. You could have gotten those? A. If I had asked for them, yes. I could have gotten them.

Q. Isn't this also true in connection with those free passes that there is no transfer privilege on them? A. That's correct.

Q. So a man who was paying his way and changing at a transfer station would call for one fare? A. That is correct.

Q. But the man who is using one of these pass books would use two tickets in that case, wouldn't he? A. Yes.

Q. So that also has some effect on the total results shown by your exhibit, has it not? A. Yes sir.

Q. Isn't that about 40%? A. I believe that's 40% of the free passes.

Q. In other words, as a real basis for comparison, you would have to scale the figures 40% to compare them with the passengers? A. I hardly think so. I think if a man were paying for these rides, or paying for a transfer at all he wouldn't take in a good many cases the transfer that's given to him, for nothing; he would rather walk the two blocks than take a transfer.

Q. Isn't it fair to assume that the same ratio that holds between the use of transfers and the tickets would hold in this case, if all parties had to pay instead of given tickets? A. I assume it would.

Q. Now turn to your exhibit No. 16 for a moment. That is your showing in the case of this note financing, isn't it? A. Yes sir.

Q. That is a period of about five months, when you find that partial overlap, is it not? A. Yes sir.

Q. And the net amount of your overlap, after crediting the bank interest allowed, on the money on deposit is how much? A. $18,706.59.

Q. Now five months interest on the entire issue would have been $62,500, wouldn't it? A. Yes sir.

Q. So the overlap is only a very partial one, isn't it? A. The overlap in interest itself is $31,000.

Q. But that is subject to the credit of the bank interest? A. Yes sir.

Q. If they had paid double interest during the period they would have paid $62,500, wouldn't they? A. Yes. Certain of those notes were retired at the beginning of the period so that the entire interest was not $62,000.

Q. I am only calling attention to the fact that the net result of the piece of financing that you are calling attention to is that figure of $18,000?

Now you spoke of the rate at which those notes were

sold as indicating an improvement in the market, weren't the first notes five year notes? A. Yes sir.

Q. And weren't the second notes three year notes? A. Yes sir.

Q. Isn't it natural for a three year note to sell higher than a five year note, when they are both selling at a discount?

When did you state the five year notes were sold at? A. The five year notes netted 94.

Q. And what did the three notes net? A. 96½.

Q. Now as to one of those you have five years to spread the discount over and as to the other you have only three years. Isn't it only natural and usual that when notes are sold at a discount, that a short time note sells at a less discount than a long time note does? A. I think that's reflected in the fact that the five year notes were sold at 3% and the three year notes were sold at 2½%. Not so much the discount. I don't think a period of time of three and five years, would make very much difference in a note of that kind in itself. The credit position of the Company, I think has a big thing to do with it.

Q. You don't think the difference of a not being a three year note and a five year note has much to do with the discount it's sold for? A. No sir.

Q. Mr. Nodder, in reference to exhibit No. 17, I understood your final recommendation to be that the Company ought to do something to keep down accidents rather than increase the accident reserve, is that right? A. That's correct.

Q. One of those sort of suggestions that's very easy to make? A. Very easy.

Q. Now coming to your Exhibit No. 18, if I understand you, or correct me if I am wrong, is this a list of all the cars that the Company had painted in these fancy colors as you call them? A. Yes sir.

Q. And there are ten of them, aren't they? A. That's what I understand?

Q. And how many did you say they paint a year? A. 1200 pass thru the paint shops.

Q. So your criticism is based on the fact that they have had ten cars experimentally painted in these special colors at these increased costs shown on this exhibit? A. My criticism is what would be the cost if all the cars are painted in these experimental colors. Not so much these ten. The increase in cost of these ten only represent a thousand dollars.

Q. It represents half of that, doesn't it? That last item is a double car, isn't it? You can't compare that last item with the first item? A. No, you can't.

Q. In fact, the last item is two cars, isn't it, or more nearly two than one? A. More nearly two than one.

Q. So you can't compare that with the first item? A. That's true.

Q. And the largest increase in any one car is not over $50.00? A. $50.00, the next to the last car.

Q. And there are only ten cars in the whole outfit of the United that have been changed in its colors, that's right, isn't it? A. Yes.

Q. When you speak of the beauty contest, or the advertisement of the beauty contest, what were you referring to? An expression of public desire? A. I don't believe I referred to a beauty contest, it was referred to. As I understand the thing these cars were painted and expressions were desired or requested from the public as to what they considered the best.

Q. So your answer as to which was the one that was approved was the one approved by the public, wasn't it? A. By the public.

Q. And you are not criticising then, I understand the United by having made this experiment at a cost of five or six hundred dollars? A. No.

Q. But you were criticising them then if they were to decide at the present time to paint the main part of their cars, these other colors? A. Yes, sir. The excess cost of painting cars in the fancy colors.

(Mr. Tingley) In a time of an emergency.

(The Witness) In a time of an emergency, yes, sir.

Q. This table that you got from the United is the cost of painting these single, individual experimental cars, isn't it? A. Yes, sir.

Q. It would be a good deal cheaper to paint a large number the same way, wouldn't it? A. I can't say that.

Q. It's a fair inference? A. It's a fair inference that some reduction in the price would be made on a large quantity.

(Mr. Howard) That's all, Mr. Nodder.

RE-DIRECT EXAMINATION

By Mr. Tingley:

Q. Mr. Nodder, if 40% allowance were made to take care of Mr. Howard's transfer passengers, who are free riders, that would still leave over three million fares lost to the Company, wouldn't it? A. Yes, sir.

Q. Taking Exhibit No. 16, if by reason of the five and three year periods, of the two issues of notes, the notes did actually sell on the same basis, that wouldn't indicate that the credit position of the Company had been impaired, would it? A. No, I don't think so.

Q. Had the fare increase been proposed by the company at the time that the winner of the beauty contest was selected by Mrs. Block. A. No, sir, not that I know of.

(Mr. Clark) I was just about to ask you when that contest did start.

(The Witness) I really can't tell you off hand. Early in the spring as I understand. Early in the year.

(Mr. Clark) About when was it, Mr. Emmons?

(Mr. Emmons) We had them completed by Easter Day.

We had the Easter Day parade. So we started early in the year.

(Mr. Toole) Mr. Nodder, about Ex. No. 16, if I understand you right there was a loss of some $18,000 on those notes?

(The Witness) Yes, sir.

(Mr. Toole) What banking house supplied that money to the United, do you know?

(The Witness) I think Alexander Brown and Sons handled this issue of notes.

(Mr. Toole) Has Alexander Brown & Sons got anything to do with the Company in any way you know of?

(The Witness) I believe they own quite a lot of stock in the Company.

(Mr. Toole) Own some of the bonds and own some of the stock?

(The Witness) I can't say about the bonds, but they do own some of the stock.

(Examination concluded.)

(Mr. Tingley) That closes our case.

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## REBUTTAL

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Thereupon—

### C. D. EMMONS,

a witness of lawful age, produced on behalf of the applicant, having heretofore been duly sworn according to law, resumed the stand in rebuttal, was examined and testified as follows:

### DIRECT EXAMINATION

By Mr. Howard:

Q. Mr. Emmons, let me first ask you whether you have any additional figures to give the Commission on the operation of the road, during the few days that have passed since you were last able to give such figures?

A. We have gotten together hurriedly the figures of yesterday, hoping ourselves with thhe Water Ways Convention and the Bombardment of Fort McHenry, we would actually show an increase in earnings. The fact is that with all the holiday that was going on, we showed an increase of $106.00 yesterday, expecting an increase between $5,000 and $8,000.

On Sunday with the Fleet at Fort McHenry and with it advertised in the cars, about the bombardment we went back $2,245, or 7.4%.

On Saturday also, with the Waterways Convention on hand, we went back 7% with $3,658 decrease, the days being rather comparable as to temperatures and weather. The day before that, on Friday, we went back $1,202, or 2.27%.

(Mr. Tingley) How about the day before that?

(The Witness) The day before that was a very, very bad day this year. And we made an increase against a stormy day last year.

Q. What day is this? A. This is on Thursday. We made an increase of $1,660, or 4.1%. The day ahead of that September 7th, Wednesday, with two days of almost comparable weather, which were given before, we made a decrease of 5.3% of $2,470. The day before that also with comparable weather we made a decrease of 6% of $2,898.

(Mr. Tingley) How about the two days before that?

(The Witness) I have already given that.

Both had slight increases due to weather comparison, $860 increase on Monday, September 5th, $2,397.00 increase on Sunday, September 4th, with the day before that a decrease of $2,698, or 5.4%; the day before that a decrease of 4.1%, and the day before that a decrease of $1,179, or 2.7%.

(Mr. Tingley) What is the average decline for September so far in per cent?

(The Witness) The average decline for September so far in per cent, I couldn't take this Monday because that

compares against Sunday, the nearest would be Sunday, that also compares against Saturday, we do not get a real definite decline percentage until we get into the middle of the week. I think I have it figured here some place.

(Mr. Tingley) Taking it day for day as you have given it in the case of the other months.

(The Witness) I just read them all.

(Mr. Tingley) I mean the average per cent.

(Commissioner Harper) Do you want the average or the weighted average?

(The Witness) I haven't day by day average.

(Mr. Tingley) It isn't 4%, is it?

(The Witness) It's not four, I don't believe.

(Mr. Tingley) It isn't three?

(The Witness) I haven't gotten the day by day average. The last we have here is Sunday 5.9, so as I say with Monday compared with Sunday, which is a $40,000 day, would show an offset of $18,000.

(Mr. Tingley) Isn't the average on 2.87?

(The Witness) I haven't that figure. I should think it would be more. What I am trying to say and I really think it's true, that when we get days of comparable weather, we are running five, six and seven per cent back of last year.

I might say that talking about weather, that the weather for August was in question, and we have gotten the meteorological reports for Baltimore of August of last year and August of this year and we find this; the highest temperature in 1927 was 91 and last year 98. The lowest temperature was 55 as against 59, the clear days were eight as against 13; partly cloudy 12 as against 6; the cloudy 11 against 12; 1.01 inch precipitation, 15 as against 13, one-quarter inch precipitation

5 against 7, total sunshine hours 232 against 230, so I don't think the weather can be blamed for much of anything.

(Mr. Tingley) You don't mean by that to contradict the data shown in your former exhibit, do you?

(The Witness) No, I mean the losses are due to a condition of stabilizing of the affect of the automobile rather than the weather or business or anything of that kind.

(Mr. Tingley) But the data that's shown on the Company's exhibit as to what days were clear and what cloudy and the temperatures, you understand to be correct?

(The Witness) Those are correct and this is a summary of all of them.

By Mr. Howard:

Q. Now, Mr. Emmons, I want to ask you a question in connection with these exhibits that have been filed by People's Counsel. In the first place, their Exhibit No. 1 was their estimate or Mr. Wolf's estimate of your income for the year 1927. Now, if I understand it right, that does not allow for three items that you have allowed for, namely, $120,000 increase in power costs for this year, $120,000 increase in accident reserve, and $75,000 for additional taxes, is that right? A. That's correct.

Q. Now, first of all in reference to the $120,000 additional power costs. Mr. Wolf said you had a clause in your contract that entitles you to as good a price as any other customer, in the same class? A. Under similar operating conditions, yes.

Q. And he called attention to the fact that the Baltimore Copper Company is getting a cheaper rate than you are, is that right? A. I think it figures so, but they cannot be compared to us at all.

Q. That's what I wanted to ask you. Are they in the same class with you or not? A. Not at all and no person will say so.

Q. Explain that? A. Because they have a continuous load of a certain number of kilowatts and their peak capacity is always the same. Our peak capacity varies in the morning and in the afternoon. We have a varied load, so that what we take during the middle of the day is multiplied by about two and a half to three times for morning and evening, and the Copper Works is a continuous load all the time, and can just take up a certain amount of continuous power.

(Commissioner Harper) You spoke of the Copper Works' peak demand.

(The Witness) It's always the same.

Q. They have no peak? A. Their one load is their peak.

Q. They are a peak or whole. Now they use their current, don't they, for the purification of copper by electrolysis? A. Yes.

Q. And that is a perfectly constant operation, isn't it? A. Yes.

Q. Where as your demand varies all thru the day and night, doesn't it? A. Yes, it does.

Q. And then some reference was made to the fact that there was a clause in their contract, by which in any emergency, or a time when there was a shortage of current, they might be cut off first, is that true? A. That is true, yes.

Q. That would save the supply company from having a reserve supply of additional power to have a customer with a clause like that? A. You mean the Power Company?

Q. Yes. A. Yes, they take rather a waste power, just a continuous power themselves.

Q. Why can't you put a similar clause in your contract that you could be cut off at any time when there was a shortage? A. We were very careful to see that the car service in Baltimore should not be interferred with

under any circumstances, if it could be avoided in any way.

Q. Therefore, the injury caused by cutting off current in the electrolytic process is not comparable in any way to the injury that would be caused to the United Railways by cutting off its current? A. Not at all.

Q. This $120,000 then is based on the charge actually made? A. Based on the charge actually made.

Q. And which you have investigated? A. Which we have investigated.

Q. And which you see no way of getting out of? A. I fear not, as I remarked to Mr. Wolf the other day. We tried to get out of a similar charge before, when we went thru an arbitration and finally had to pay $130,000.

Q. Some questions were asked by the Chairman of the Commission, that he understood the increased amount to be paid for current, at certain points, would be only $30,000. Let me ask you is this a total increase in the current charged to you or what is it? A. This is not an increase over the current charge of last year. This is an increase over the current as charged at the kilowatt hour rate of 9.36 which rate was carried over from last year, and which was not disturbed until receiving a letter dated the 8th of August in which we were advised that after they had closed their books and put all the charges in, that the new rate would be 10.31, consequently, in all fairness, rather than saying this $120,000 should be charged to the last six months, there should be $10,000 a month of it pro-rated back, so that all in all what we actually show for the first six months should be decreased by $60,000 or its proportion of this $120,000 the increased rate applying not only to the current to be used, but applying back to the current used since the first of the year.

Q. I want to make clear is that you have used less current this year than last? A. That is true so that our total bill will be less than last year.

Q. But it is charged to you at a higher rate? A. It is charged to us at a higher rate.

Q. Do you know anything about the $30,000 that the Chairman referred to? A. I think that was the expectancy that our load would keep up and the additional rate would give us only this $30,000 increase over last year, but as I say even with this $120,000 our total bill will be less than last year likely. That's due to the decreased load, due to the need of cutting service.

(The Chairman) Where is the power metered?

(The Witness) The power is metered at the Westport Station, or Pratt Street Station. It's metered on the high tension side.

Q. Your cables run there, don't they? A. Yes, we have a central distributing point at the Pratt Street Station.

Q. You get your current right at the Power House? A. Yes.

(The Chairman) Do I understand that you actually pay fewer dollars for the current than you used in 1927 than you did for the current you used in 1926?

(The Witness) We will, I think. Of course, the 1927 story isn't told you, but on the same basis, our kilowatt hour requirements are going to be very much less than used last year, altho the rate will be higher, the total bill will be somewhat lower, I think, even with this $120,000.

(Commissioner Harper) You are operating a great many less car miles.

(The Witness) That's the reason.

(Commissioner Harper) How does your rate compare with other companies in this section of the country?

(The Witness) Very favorably. It's difficult to compare because a good many companies have power houses in whole or in part of their own, and where they have their own power houses, their fixed charge for that power house is in the fixed charges in the bill, so that it's very difficult to compare the power costs of our Company with those of any other company unless they are all purchased power and there are not many companies that purchase all their power as we do.

(The Chairman) Philadelphia Rapid Transit purchases all of its power, does it not?

(The Witness) I am not sure whether they purchase all of their power. I thought they still had some small floating stations of their own.

(The Chairman) A few moments ago, Mr. Emmons, you spoke of the clause in the contract of the Copper Company, which allowed the Gas Company to shut off their power in case of emergency before others. Do you know of a case where that has ever been done, where the power was shut off to the Copper Company because of an insufficient supply or for any reason other than an accident.

(The Witness) I do not know. It's just one of those things we felt we had to be protected. We have had since this contract was made in 1920 very continuous performances, and I think the only outrages have been due almost entirely to freaks of nature, lightning and things of that kind, and then for a very short time.

(The Chairman) But they have occurred?

(The Witness) They have occurred.

(The Chairman) And the Railway has been tied up on account of those?

(The Witness) A few minutes at a time, yes.

Q. (By Mr. Howard) Now another item that is not included in the People's Counsel Exhibit is the increase in your accident reserve. You have heard the testimony that has been given in reference to that item. Have you anything further to say to the Commission about it? A. I think that exhibit of People's Counsel itself shows that we are in need of the increase. For instance, that exhibit shows that in 1924 we had a reserve for damages of $359,000 in rough figures. In 1925 we slipped back $33,000 in that reserve, totaling $326,000.00; 1926, we slipped back $24,000 additional with a reserve of $302,000.00, and at the end of July 31st, 1927, we had slipped back $70,000.00 additional, or a total of $128,000.00 in two years and a half, about.

In my direct testimony I stated the fact that Haskins and Sells criticized us for not having enough, claiming that altho we had on the first of January a sufficient amount, as Mr. Nodder testified, to take care of the ones to be paid and the ones that were filed,——

Q. What first of January is this that you are speaking of? A. First of January this year. We showed out of $302,000.00 we had claims at that time of $290,000, but as against that there is no possibility to figure the claims that are still back of that, because they keep coming in for several years after they happen and also there is nothing in that providing for any extraordinary accident or any great casualty, so that we were criticized by the Auditors for not having enough.

What we are trying to do by putting this $120,000 in is to simply bring ourselves back to where we started the year, and again that should be retroactive, and if that goes back by months, $10,000 a month, it would make our first six months that much less than actually shown and would put us in a position of meeting the claims that's so often made that the least six months is higher than the first. That is, if you take $120,000 from our present actual first six months, and not have to take the entire thing off of the last six months, then our estimate for the last six months is actually larger than our actual for the first six months.

Q. Now the third item that I spoke of is additional taxes. I believe you have already explained that item, but you have heard some comment on it. Will you explain to the Commission what you have to say in reference to that? A. Mr. Nodder is right. If we issue some preferred stocks, the law passed would protect us on not having an increase in tax.

Q. Is he right in this sense? Suppose you, Mr. Emmons, bought five shares of preferred stock? A. It would certainly have to be in good faith. It would have to be an issue of some substantial amount I am sure. I am also sure the Company would not attempt anything of that kind. The State Tax Commission puts a Tax value on our rolling stock and shop machinery, and have it up to full value. That has to stand plus the taxes of the Ap-

peals Tax Court of the City which gives the total gross value of the capital stock unless this loss can be taken effect of. If we have no credit, I don't see how we can take credit for it, and it will cost us $75,000 which we have shown here will be the net if we don't get the credit position that will let us take advantage of it.

Q. So unless you can sell an issue of preferred stock, before the close of the year, you figure that you certainly have an increased tax of $75,000? A. No question of that.

Q. Now these three items that we have just been speaking about of increased cost of power, increased cost of accidents, or accident reserve, or increased taxes for the year 1927, I want to ask you this, you filed a plat, ex. No. 5 showing the course of your net earnings for the 7 months or the 8 months that have elapsed, you recall it, don't you? A. Yes, I do.

Q. Was that based upon these adjustments that have to be made for the year, or did that not include it? A. It did not include it.

Q. If it had ben included the net result would be to put that dotted red line that indicates your net earnings for each month about $20,000 lower each month, wouldn't it? A. About $26,000 lower each month.

(Mr. Tingley) The income tax would have been reduced, wouldn't it, Mr. Emmons?

(The Witness) Somewhat.

(Mr. Tingley) That would effect it?

(The Witness) A little bit.

Q. Your income tax tho is not one of your most important features, because you have so large a bonded debt, isn't that true? A. That's true.

Q. And because you don't earn so much too. Now, Mr. Emmons, I don't want to go over each of these exhibits, but have you People's Counsel Ex. No. 2 there? A. I have, yes sir.

Q. That is an attempt to estimate your income for 1928 on a ten-cent cash fare basis.

Q. They have made an allowance there for increase in power, have they not? A. $100,000.

Q. And increased accident reserve? A. $50,000.

Q. In both cases those are less than the amounts actually required? A. Yes, sir, but if no increase in taxes on this exhibit.

Q. Now People's Counsel Ex. No. 3, have you any special comment on that? A. With this exception, that the attempt to show that conditions are getting better thru a decrease in percent increase I think is not well founded because the basis is always increasing and it's quite natural that the percentage would show less.

Q. If automobiles increased in a geometrical proportion without change they would illustrate the old story about taking a chess board, and putting one grain of corn on the first and two on the second? A. Yes.

Q. You would soon reach a number that the entire earth wouldn't be big enough to park them on, would it if you kept on with the geometrical ratio? A. Exactly.

Q. So it's the mathematical increase that is significant? A. Yes, and this simply carries out our conviction that it is the automobile that's taking the passengers from the street cars to such an extent that it is the real difficulty.

Q. You think Ex. No. 3 corroborates your exhibit on the whole, which is your Exhibit No. 11? A. Yes, sir.

(Mr. Tingley) They are the same exhibits, but we draw different conclusions from them.

Q. One is a chart and the other is a table. Now Ex. No. 4 was merely a tabulation of your securities? A. Yes, excepting the percentages are based on 70,000,000, instead of being brought up to date of about 73 million.

Q. So in the first place they don't include any allowance for easements? A. No.

Q. And in the second place the value is that of 1924, whereas the time when the securities are out is the first of 1927 or 1926? A. Yes.

Q. Your bonded debt is large compared to your stock, isn't it? A. Yes, it is, yes, sir.

Q. That's one of your troubles, isn't it? A. It is, yes sir.

Q. Exhibit No. 5 of People's Counsel is a comparison of Street railway operations in different cities for the year 1926. A. Yes, that's the funded debt and income bonds.

Q. General statistics? A. Yes, sir.

Q. Just while we are on that subject, you were asked, I think, when you were on the stand last, if you could give some figures as to Pittsburgh and Philadelphia in line with the figures that you were giving in reference to other cities? A. Yes, I have been able to get them by direct appeal to those three places.

Q. Will you tell the Commission just what those figures are? A. Pittsburgh, having had a five-cent fare before January, —

Q. This is all in connection with changing the fare on the travelling? A. Yes. Having had a five-cent fare until January, 1918, they then increased their fare to six cents, two for 11 cents, with the result that showed a decrease in revenue passengers of 11.9% and a decrease in passenger revenue of 4.2%. To my mind it's very evident that was on a falling trend of business.

Q. What time was that? A. In January, 1918.

(Mr. Tingley) In 1918, would you say that's true?

(The Witness) At that time in Pittsburgh it must have been so.

(Mr. Tingley) It wasn't anywhere else, was it?

(The Witness) It may not have been in other places, but it would appear to me that that was probably so.

Q. That was an increase of six cents? A. Yes. On June 20th of the same year they tried an experiment of 5c central zone with seven cents beyond the central city

zone, with an increase in revenue passengers of 1.3 and an increase in passenger revenue of 18.3%.

Then on August 1, 1919, they raised the fare to ten cents, four for thirty, with an increase in revenue passengers of 7.6 and increase in passenger revenue of 43.5. On September 1, 1920, they raised the fare to ten cents, 3 for 25, having an increase in revenue passengers of 6.2 with an increase in passenger revenue of 15.7.

Q. These are the increases that followed? A. These changes in rates of fare.

Q. And over what period? A. These are the daily averages until the next change. The final change was on June 1, 1924, when they retained the 10-cent fare, three for a quarter, and put in the dollar and a half weekly pass. I would like to have this noticed that it was four years after they had their ten cent, three for a quarter, that they began their pass. The result of that was 1% increase in revenue passengers, with 2% increase in passenger revenue.

Philadelphia had a five-cent fare with a three-cent exchange until —

Q. That's equivalent to a transfer, isn't it? A. Yes, they call it an exchange over there. Until November 1, 1920, when they changed to the seven-cent fare, four for 25c, and three cents for a transfer, with the result that they showed a decrease in revenue passengers of 5.5%, but an increase in passenger revenue of 17.1%.

On September 25th, 1924, they changed to an eight-cent cash fare, two for fifteen cents, and three cents for transfer, showing since that time a decrease of revenue passengers of .7%, but an increase in passenger revenue of 14.2%.

In Washington, the Capital Traction Company figures, I am reading from, had a five-cent fare, six for 25c, until October 26th, 1918, when it increased their fare to a flat five cents, showing an increase of revenue passengers of 17.6 and an increase in passenger revenue of 35%.

On June 1, 1919, with the five-cent fare still in exist-

ence, they began charging two cents for a transfer, showing a 9.2% loss in revenue passenger and a 7% loss in receipts. I think that Washington was hit by the after-war effect very quickly by the dismissal of clerks, making this period a decreased period.

November 1, 1919, they raised their fare to seven cents, four for 25c, showing a decrease in revenue passengers of 5.6, but an increase in passenger revenue of 19.1.

On June 1, 1920, the fare was again raised to eight cents cash, four for 30 cents, showing a decrease in revenue passengers of 8.8 and an increase in passenger revenue of 8.7.

On September 1, 1921, the fare was again raised with an eight-cent cash, five tickets for 25 cents. That was a decrease, however, this is a flat seven cents. A decrease in the fare and they had a decrease in revenue passengers of 1.4 and they showed a decrease in passenger revenue of 6.4.

Then on March 1, 1922, they made a further decrease in the fare, from eight cents cash to six for 40 cents, that's less than seven cents, showing since that time a decrease in revenue passengers of 8.7 and a decrease in receipts of 10.7, and as we were advised the other day the Capital Traction Company were about to ask for a change in their fare rate.

(Commissioner Harper) Your statement tends to show then where there is a change in the fare the revenue passengers will decrease but the passenger revenue will increase?

(The Witness) Not always. This first one, the Capital Traction change from 6 and a quarter to 5 cents, and the revenue passengers increased 17.6, and the receipts increased 35%. I think it's due entirely to the trend of business, because all thru these we have read you will notice that many times with an increased rate of fare the passengers have increased.

For instance, in Pittsburgh, when they changed from a five-cent central zone to 7 cents beyond, to a straight

ten-cent fare, four for thirty cents, that's 7½ cents the revenue passengers, increased 7.6% while their passenger revenue increased 23½%. Then the next change from four for thirty cents to three for 35 cents, the revenue passengers increased 6.2% and passenger revenue increasing 15.7%.

So it isn't that the revenue passengers have decreased on an increased fare.

By Mr. Howard:

Q. You think, in other words, that the change in fare is a minor factor in bringing about increases and decreases in riding, as shown by these figures? A. I do. I think it's entirely on the trend of business at that time.

(Mr. Tingley) That's true regardless of the amount of fare?

(The Witness) Yes, because in Boston we increased from eight to ten cents. At that time you will remember that was on a falling trend of business they only had a 6% decrease in revenue passengers, but I think it was 16% increase in growth, but it was the very next year with the ten cents continuing they increased 6.3% in passengers with a same increase of 6.3% increase in gross.

(Mr. Tingley) These other cities that you discussed this morning, none of them involve an increase to a straight ten-cent fare, without reduction, do they?

(The Witness) No.

(Mr. Tingley) And there isn't any inference because an increase from 8 to 8 1-3 cents causes a falling off in passenger revenue that an increase to ten wouldn't?

(The Witness) I think the general inference from the entire situation is in some places we have seen an increase of two cents with the same results.

(Mr. Tingley) But the fact that 8 to 8 1-3 cents isn't worth more than the car ride is worth, doesn't mean that ten cents isn't?

(The Witness) It doesn't mean so, but I think the car ride is worth ten cents.

(Mr. Tingley) In other words, there is no particular significance in any data, except in places where the ten-cent fare is in effect?

(The Witness) We have Boston which has a ten-cent fare.

(Commissioner Harper) In your case you estimate any increase in the fare will mean a decrease in the number of passengers.

(The Witness) We did 2% just to try to make a conservative statement and feeling that temporarily it will make some change.

(Commissioner Harper) But it does produce a substantial increase in revenue?

(The Witness) It does, always produce a substantial increase in revenue.

(Commissioner Harper) And that means that the average every-day daily rider will bear the burden of the increase?

(The Witness) Yes, the Company has to have it, however.

(By Mr. Howard) Then you see nothing in any of these figures that you submitted today or the figures that were submitted at the previous sessions of the Commission to indicate that any of these raises that have been made, or that that raise to a flat fare of ten cents, would approach or equal the economic limit? A. I do not think so.

Q. Or the value of the service to the public? A. I do not think so.

Q. People's Counsel Ex. No. 6, is merely a summary of securities that you have issued in the last 15 years, I believe? A. Yes.

Q. The last item there, these three-year notes that

have been the subject of discussion, I will come to a little more in detail when we come to the special exhibit relating to them. When was that sale of notes closed? A. March.

Q. And not in July, of course? Ex. No. 7 I believe I have nothing to ask you of that. Exhibit No. 8 is a chart prepared by People's Counsel showing the wages of platform men. Have you any comments to make on that? A. I have this comment to make on that; that in the first place retail food costs is used rather than the United States Labor Bureau Cost of Living which curve is considerably higher than the retail goods cost curve.

Q. Food has gone down more than other things? A. More than the general cost of living and the second thing is that I have super-imposed on this diagram, our own cost of living, showing that the per mile cost of operation doesn't compare in any way with these other curves.

Q. Then on the one that you have in your hand, you have added in red ink a curve showing what you call the Company's cost of living, is that right? Yes.

Q. Meaning by that it's operating costs? A. That's right, yes.

(Mr. Tingley): The wages are the big item in that cost, aren't they?

(The Witness): The wages are the big item.

(Mr. Tingley): Then you would expect that result.

(The Witness): That's our own cost, nevertheless.

(Mr. Tingley): Your cost of living or dying?

(Mr. Markell): Cost of existing.

Q. That indicates what you call the Company's cost of living has stuck pretty close to the wages of the platform men? A. It does, yes.

(Mr. Tingley): You don't attach any importance to that?

(The Witness) A great deal, a great deal more importance than the price of food.

(Mr. Tingley) When the wages are in that figure?

(The Witness) Certainly, because the wages is what we have to pay out and what we have to collect for.

Q. Do you in that refer only to the weighted average that they bear to your whole cost? A. That is true.

Q. And the wages of your platform men, are not a very large factor of your total cost? A. But they are.

(Mr. Tingley) They are pretty nearly all of it?

(The Witness) About 40 to 42%.

(Mr. Howard) Will you file that with the stenographer?

NOTE: Chart above referred to is here filed in evidence and marked Applicant's Ex. No. 20.

(The Chairman) As I understand it, you have simply taken People's Counsel Ex. No. 8 and put your red line on it to show your cost of living?

(The Witness) Yes.

Q. People's Counsel Ex. No. 9 as I understand is an attempt to put on a chart the decreases that have occurred in 1927 each day of the week so as to show on which days of the week the loss has been heaviest, isn't that right? A. Yes.

Q. As a matter of fact what is your best day of the week always? A. Saturday usually.

Q. And your worst day of the week? A. Sunday at the present time.

Q. And do the others usually run about the same, or s there much noticeable difference? A. Monday is usualy a little better than the other days, but the others run about the same.

Q. So ordinarily Saturday is your big day and Sunday is your worst day, by very much, isn't it? A. Yes.

Q. And the others don't run very far apart? I guess this is not a chart showing how your days run this is a chart locating the falling off of this year, or attempting to do so? A. That's right, yes, sir.

Q. Mr. Markell has just handed me a pamphlet that I believe bears on the same trend. Is there anything in that you want to give the Commission in reference to the volume of sales?

(Mr. Clark) What is that pamphlet called?

(Mr. Howard) The Retail and Wholesale Trade of Baltimore, Md., being a detailed report on sales, merchandise outlets number of establishments, employees wages and inventoried based on a census conducted by the United States Bureau of the Census issued in Washington, August, 1927.

(The Witness) I think this is the one Mr. Markell referred to the other day showing the amount spent for automobiles and automobile accessories, which are the third item spent in Baltimore.

(Mr. Clark) On what pages of the book is that information on?

(Mr. Markell) It's pointed out on page 42 and page 40 and some of the earlier pages you will find the percentages for gasoline and things of that kind.

(Mr. Howard) Will you file that pamphlet?

NOTE: Pamphlet above referred to is here filed in evidence and marked Applicant's Exhibit No. 21.

Q. I believe Ex. 10 and 11 filed by People's Counsel, consisted of various reports of publications and articles? A. Yes. No. 10 was the Baltimore Asso. of Commerce monthly report and No. 11 I believe was the U. S. Daily of August 31st.

Q. You have no special comments on those, I presume? A. No.

Q. Now, Ex. No. 12 is the first of the exhibits that was filed by Mr. Nodder. That is a statement made up from your Annual Reports to the Commission, isn't it? A. Yes.

Q. Showing your income and surplus accounts, of 1920 to 1926, inclusive? A. Yes.

Q. Have you any comments to make on that or anything to say about it? A. From that Mr. Nodder drew the conclusion that our operating costs per car mile were gradually increasing without stating that during this period our weights of cars have been gradually increasing because of the fact that we have been taking off of our lines, just as far as possible our old light single truck cars, also during this time our wages have increased 6% and also during this time, we have lost the effect of power contract made in 1911, giving us that cheap power.

Q. Let's get that clear? Those last two items, the loss of your cheaper power contract and the increase in wages, are items that do go to make the cost of car miles more, aren't they? A. Yes.

Q. The item of the increase of the weight of cars, how about that? Does that make it a fair basis of comparison, to take the lighter cars of five years ago and compare them with what you say are the heavier cars of the present day? A. No, it does not, because in our attempt to give the better service to the people of Baltimore, we have discarded just as far as we possibly can our single truck cars, replacing them with heavier cars which cost more to operate.

Q. They carry more people too, don't they? A. Carry more people and cost more per car mile to operate.

Q. For your comment on that then, it doesn't make any increase on the allowance on the weight and size of your cars? A. It does not.

Q. And in the second place such increase as there is is largely accounted for by the rates in wages and the change in your power contract? A. Yes, sir.

Q. Now exhibit No. 13 of People's Counsel that is an attempt to derive the average ratio of your last six

months to the first six months over the years 1920 to 1926, so as to use it as a base to form some prediction as to what your income of the last six months of this year will be based, on the first six months of this year, is that right? A. That is right.

Q. Have you any comment to make on it? A. Well, were the trends of business comparable this year with previous years the method would be all right, but the trend of business in the last few months, has been so different that we feel it's absolutely impossible to figure that way in order to derive a result.

For instance, if you take the years 1923 to 1926, inclusive, and take the first quarter you might find a deficit all thru that first quarter from 1923 down, we will take, 80 thousand, 56 thousand, 52 thousand, four thousand, and 23 thousand, not so materially different, but when you come to the second quarter and take the same years, you will see profit in '23, of 68 thousand, a deficit in '24 of nine, a profit in '25 of 12, a profit in '26 of 54, but a deficity in '27 of 38 thousand.

If you take the months of July and August, using August as estimated at 30 thousand, and unfortunately our preliminary reports look like we are going to fall below the 30 thousand estimate, it shows for those two months, 1923, 146 thousand; 1924, 150 thousand; 1925, 137 thousand, 1926, 130 thousand and this year only 66 thousand, showing, I think, conclusively that you cannot take this form of comparison and produce from them what the result will be this year.

Again you take 1920 to 1926, the second three months' comparison, with the first three months, we find 190% of the first three months, but if you take the second three months only this year, we only find 91% of the first three months, again I feel showing the trend is such that you cannot use the former years as the proper basis for prediction.

Q. Your slump this year that has alarmed you didn't set in January first? A. It did not.

Q. Later? A. Several months later.

Q. And in any aggravated form considerably later? A. Yes.

Q. You are not getting the trend when you take the first three months in order to arrive at the per cent for the remaining six months; you are not allowing for the special feature that this year has shown? A. I think you do not get the trend.

Q. Isn't this also true? In making an estimate for 1927 no account whatever is taken of that item of $120,000.00 increased power costs that you have talked about, and of $120,000.00 addition to your accident account, and $75,000.00 additional taxes? They are ignored, aren't they? A. They are ignored, yes, sir.

Q. And by a proper method of accounting, they wouldn't be deducted from the last half only; they would be deducted from each and every month of the whole year, shouldn't they? A. They should have been prorated, yes.

Q. What was your estimate of 1927 earnings if you got no relief? A. $489,000.00 I believe.

Q. Now, take that figure at the foot there of 1927, based on lowest percentage of 744, if you take the two items of $120,000.00 for increased power cost and $120,000.00 for accident, you get very near your estimate, don't you? A. That gives $429,000.00.

Q. You are subtracting taxes too? A. Yes.

Q. Now Exhibit No. 14, that is, People's Counsel Exhibit in reference to your taxes, isn't it? A. Yes, sir.

Q. I think you have already, since you were put on for re-examination, have testified about that increases in taxes, is there anything else in this table that you think needs attention? A. I think not excepting I might say Exhibit 14, the third sheet mention was made the other day about some inconsistency in our figures of showing $472,000.00 here as the net income as to income taxes for the last six months, I want to say that that was figured out before we found out definitely where we were going and should have been revised.

(Mr. Tingley) When was it figured out?

(The Witness) It was figured out in early August.

Q. Which exhibit are you speaking of? A. 14C.

(Mr. Tingley) The application was filed August first?

(The Witness) August first, yes.

Q. Now, we come to the exhibits that were filed today. The first of those is Exhibit No. 15 which is a statement intended to show how many free tickets or tickets entitling the holders to free passes were issued by the company? A. Yes.

Q. Now, first of all are these pass books good until used or have they any expiration date on them? A. They are good during the year only.

Q. Hence in so far as the book is not used during the calendar year, it can't be used after that, can it? A. No.

Q. Have you any way then of telling what actual use of such things as are listed here is as compared with the number of books or tickets that you issue? A. Yes, the cashier's department audits all tickets returned and find that while there were five million six hundred and seventy-four thousand eight hundred and ninety-three issued.

Q. That's for all purposes? A. For all purposes, there were only four million eight hundred and seventy-six thousand and some number taken up and used.

Q. Are those approximate figures? A. They are actual figures. Counted tickets.

Q. There is no difficulty in getting at them? A. No, they are audited like the cash returns are.

Q. And were those figures put at the disposal of People's Counsel? A. Yes, Mr. Nodder had them.

Q. So then in 1926 only four million eight hundred and odd thousand were used of all these tickets? A. That's right.

Q. And is that true of previous years? A. That would be true, yes, sir. 1926 I find 4,876,952 used; 1925 used tickets 5,182,383; 1924 used 5,238,528; 1923 used 5,080,-688, 1922 used 5,006,405; 1921 used 5,152,594, showing 1926 materially less than any of the previous years read.

Q. Now, I think it has already been explained that transfers are not used in connection with free tickets. A. That's true. No transfers are issued on free tickets.

Q. So a man to use free tickets of any kind has to give a ticket or a coupon from his book each time he changes from one car to another? A. Yes, sir.

Q. Now, let's take the different kinds of tickets, that are shown there? In the first place you issue pass books to your employees, don't you? A. Yes, sir, clerical help.

Q. Are you familiar with the practice that prevails in other street railway companies in this country? A. So far as I know all of them do the same thing.

Q. All of them do the same thing, do they? A. Yes.

Q. They all issue pass books to their employees? A. Yes, sir.

Q. Suppose you did not give your employees that transportation, what if any would be the effect on wages? A. Probably have effect or a tendency in an increased way.

(Mr. Tingley) You increased them anyhow?

(The Witness) We are, but there is also a point when we are giving free transportation, that we do not increase as much.

Q. So you do in that respect, what is done, so far as you know, by all the street railway companies in this country? A. Yes.

(The Chairman) Does that free passenger employee include the employee alone or his family?

(The Witness) Just the employee alone. Not the family.

Q. You don't in any case issue any free transportation to the families? A. No, we do not.

Q. It's purely personal and confined to the man himself who is your employee? A. That's true.

Q. And these different kinds of pass books that you have here that are issued are devised I suppose to keep

some check on it and hold it down to a proper limit? A. That's it, yes.

Q. Otherwise you would simply have one kind? A. Yes.

Q. Is that the reason why you divide them into male and female? A. Yes, and also morning and evening.

Q. Now, as to the police and fire department, has that always been done, as far as you know by the United Railways since its formation? A. Always here and in other cities as far as I know. It's required by law, I think.

Q. It is the practice in other cities then is it? A. Yes, sir.

Q. Why is any distinction made between the plain clothes men and the regular police? If I understand the regular police are allowed to ride because they have a uniform on and don't need a pass, is that it? A. And on his badge.

Q. The same is true with the Firemen? A. Yes.

Q. Why couldn't a similar method be applied in the case of a plain clothes man? A. A plain clothes don't want to divulge that he is in a service of that type.

Q. Are these tickets issued on the requisition of the Police Department? A. Marshall of Police.

Q. Now, the last item you have here are tickets issued to Park Commissioners and employees. Is the issuance of those tickets or a furnishing of that transportation provided for in the contracts in each case with the park concessioner? A. It is.

(Mr. Tingley) Who draws the contract, Mr. Emmons?

(The Witness) Albert Stuart usually. That's the first time I heard it wasn't legal this morning.

(Mr. Tingley) It isn't provided for in the law.

(Mr. Howard) We differ with that. The law says:

"Transporting persons or property as incident to or

connected with contracts for construction, operation or maintenance."

I think these contracts have directly to do with the operation and maintenance of a railway.

(Mr. Tingley) The operation of the old mill isn't an operation of maintenance, or the operation of the Roller Coaster.

Q. Has the operation of the Old Mill and Roller Coaster anything to do with the maintenance of the operation of the United Railways? A. It's part of the operation of the park and the park is part of the operation of the United Railways.

Q. Who operates the park? A. We do.

Q. You own it don't you? A. Own it and operate it.

Q. And operate everything that's in it? Why do you own and operate such a thing with a park with a Roller Coaster in it and what's the purpose of it? A. For the purpose of attracting business.

Q. Not mainly for the idea of going into that business? A. No, to attract business on the street railway line.

Q. And has that been done in other cities too? A. Every city in the country have had their parks.

Q. So except for the fact that it's divided off by stock ownership, the stock is owned by the United isn't it? A. There is no stock owned. The park is directly owned by the United.

Q. So its in connection with the operation of that park as a part of the United system and under a contract made with these concessioners or with men that are there that you give them this free transportation? A. It is, yes, sir.

(Mr. Tingley) The contract is being drawn by your legal department?

(The Witness) Yes.

(The Chairman) The United Railways owns the property at River View, but rents it to somebody else I believe.

(The Witness) The River View Company owns that Mr. Chairman. The United Railway owns the River View Company stock.

(The Chairman) It's the same thing. But you don't operate River View; you lease that to somebody else, Fitzsimmons, I believe?

(The Witness) Fitzsimmons, yes.

(The Chairman) Does his concessionaires get the same free tickets?

(The Witness) Yes, that's also provided in the contract.

Q. Have you anything further to say about that exhibit in reference to free transportation? A. I think we should say this; that Mr. Nodder's figures on what we might get are extravagantly overdrawn because in the first place, he has taken the total number issued and multiplied by seven and a half cents when there is 800,000 less used. He has taken in consideration nothing about the transfers used at all. He hasn't taken into consideration the law requires the transportation of Police and Firemen. He hasn't taken into consideration the Park Tax itself that would have to be deducted from any amount received, and I might say that the railroads have the custom and have had for a time back not only to issue passes to employees, but to their families, not only on their own lines but to get them on other lines.

Q. Has that been stopped during emergencies? A. I never knew of it being stopped.

Q. No Exhibit No. 16 then of People's Counsel undertakes to show a certain duplication of interest that occurred in connection with your note issue of two and a half million dollars. That was made you say in March last of this year? A. Yes.

Q. I want you to tell the Commission just why any such duplication occurred, how far it was the subject of consideration before you did it, and what your reasons were for doing what you did do? A. We knew that on August first we had two and a half million dollars of notes coming due, and we began to find, after we started

in the year, that business was beginning to fall off; the market conditions were fairly good and we felt it was advisable and good insurance even if it did cost us some money to get that money in hand and in the bank.

Q. Suppose you had waited until August first to sell those notes, could you have realized as good a price for them? A. I certainly think we could not.

Q. Would the difference have been greater or less than this duplication of? A. I think it would have been greater than the duplication of interest.

(Commissioner Harper) What rate of interest did you receive on your deposits?

(The Witness) Four per cent.

Q. You said one reason why you issued these notes in March instead of waiting until August, was because you apprehended the company was not doing so well and wouldn't be able to make an issue later on? A. Yes, and the money market was good at that time and we thought we ought to take advantage of it.

(Mr. Tingley) Was the fare application under contemplation at that time Mr. Emmons?

(The Witness) Not at that time, but it was a short time later.

(The Witness) A short time after March.

(The Witness) We began actively to getting into the knowledge that we would probably have to do it some time in June.

Q. This had all been done, hadn't it? A. This had all been done.

Q. Was or was not the time of issue considered by your executive committee or board? A. It was, yes.

Q. Were the pros and cons debated? A. They were.

Q. Why did they decide to have this duplication to this extent of this interest? A. They felt that it was very advisable not to approach too close to the date of maturity of the old notes, August first, and felt they should take advantage of the money market at that time.

Q. And as this exhibit shows the net amount of duplication, after allowing for the interest you got on the money in bank, was about $18,000.00? A. Yes.

Q. Do you still think that was good financing? A. We are certainly very glad we did it.

Q. Exhibit No. 17 of People's Counsel is a statement of accident and damage accounts? A. I referred to that a while ago.

Q. You have nothing further to add on that? A. Nothing further than what I referred to.

Q. Now Exhibit 18 of People's Counsel, that exhibit is a statement to show your extravagance in painting cars bright colors. Will you look at it and tell the Commission just what it amounts to. A. The fact is, I think the Commission will be with me, that ever since we adopted the red as an economical color we have been criticised very severely because of the color.

Q. Just in that connection, I suppose the cheapest color you could adopt would be the freight car red, because the railroads have all adopted that as the cheapest of freight cars? A. Probably would any they spray it on. We therefore did what a great many other cities have done and are now doing, making some color tests, not only to try to have the people notice the street cars and to ride them and to get them to take to the colors they like, but in order to find if there is a change of color that will stand up under the weather and will wash and will wear well. The ultimate cost is not the first cost of painting at any rate It is the repeated cost of painting. We painted last year 1,267 cars in the paint shop.

Q. Not in these fancy colors? A. No. We had these thirteen I think it is, eleven colors other than the standard color, which cost all the way from $85.00 for a single car up to $150.00 for a double car, and I am sure that it won't take much thought to know that it costs more to paint one individual car originally that to paint a thousand or twelve hundred of the same kind. For instance, our semi-convertible cars in 1923 themselves cost us $160.40 to paint per car. By means of rescheduling of the paint shop and rather turning it up side down——

(Mr. Tingley) That was interior and exterior wasn't it?

(The Witness) No, this was just exterior, because 1927 we have that same figure down to $92.55. The average per car in 1923 was $145.38; the average per car this year and that includes the articulated car, is $77.65. I certainly would not labor under the criticism, if I saw my paint costs were going up $50,000.00 a year, that I would select any paint or design that would cost me that.

Q. What have you done in fact? There are ten cars here that you have painted in these colors? A. There are eleven cars and it costs us about $440.00, I think, to make that experiment.

Q. When did you make that experiment? A. We started in the beginning of the year and had these cars all out at Easter time.

Q. You did it before this last slump came? A. Yes.

Q. Had you decided that you were going to paint all your cars any of those fancy colors? A. We have not come to a definite conclusion as yet.

Q. Now, Mr. Emmons, you testified on direct examination to the amount of loans that the company had out with banks and had to meet in the near future? I don't know whether you covered the whole year of 1927? A. I think I did not. I was questioned whether we might go into bankruptcy if we didn't get the September and October loan, but I wanted to repeat this "That it is a serious question as to what we owe the banks and what the banks will do when the notes fall due. We owe the banks $50,000.00 in this month."

Q. You mean by that falling due in this month? A. We have $50,000.00 falling due in this month. We in October have $650,000.00 falling due. In November we have $630,000.00 falling due and in December we have $1,040,000.00 falling due, a total at the present time of $2,370,000.00.

Q. Falling due before the end of this year 1927? A. Before the end of this year. I can't tell what the banks may say if we are not put in a credit position when we

go to them to renew those notes. We think it's most serious that we should have a position like this facing us with the falling off in earnings that we are having now.

(Mr. Tingley) Are you renewing those notes or paying them?

(The Witness) We are not paying them. We are not earning the money to pay them.

Q. Would you look at your memorandum? You said $650,000.00 in October and $630,000.00 in November. The memorandum I have has those figures reversed? A. $650,000.00 in October is correct.

Q. And $630,000.00 in November? A. That's right.

CROSS-EXAMINATION.

(By Mr. Tingley) Q. Mr. Emmons, I want to see how close you still are to the Trolley News of August 16, 1927:

"Baltimore is a city of comparatively low living costs and the wages of the carmen as well as the wages of many other workers have been based upon that fact."

That's correct, isn't it? A. That's right. That's the reason it is so low.

Q. (Reading) "The men in Wilmington, Delaware, get 56 cents an hour, while those of the Washington, D. C., street cars get 58 cents an hour. Even so the earning possibilities in Baltimore under its operating conditions are greater than other cities, even at a higher rate of pay." That's true, isn't it? A. I think they had in mind the eight-hour cities.

Q. Yes. That is a true statement? A. Yes.

Q. (Reading) "Even at 53 cents an hour, the wage rate of Baltimore carmen have increased faster than the cost of living in Baltimore." That's correct, isn't it?

A. Yes.

Q. This income tax estimate for 1927 you say that was made during the first few days of August? A. I think

it was, yes. Mr. Graston says as soon as we closed June up that was made. That would be in July some time.

Q. What periods of July would that be? If it was prepared during July, the petition in this case was filed August first, wasn't it? A. It was, yes.

Q. The exhibits were being prepared in July? A. The latter part of July.

Q. How do you account for the fact that the auditing department of the company should estimate that the income of the last six months of the year would show such a discrepancy from the exhibits presented to the Commission? A. I think that was just a hopeful situation that wasn't checked up.

Q. So pessimistic that they haven't been checked up? A. They have been more than checked up I think with the way August is apparently going.

Q. Do you think August showed a worse situation than July? A. It looks now, with preliminary figures, that August is going to be very, very low.

Q. Does it show a worse situation than July? A. Yes, a great deal.

Q. How about the first days of September? A. I was talking about the net for August. Of course, we do not know anything about what the net for September will be.

Q. August only showed a decline of 3.73 of the passenger revenue? A. Taking it as a month that way.

Q. And September has shown less than 3 per cent. thus far? A. You had that figure this morning.

Q. Do you think it is fairer to take the company's experience over a period of six or seven years in anticipating in what the revenues for the last six months of any given year will be or to take a period of three months during the summer of that year? A. At the present time, with the trend so very different from what they have been for the last six years, I think it's quite unsafe to take the experience of the last six years.

Q. Haven't any of those years showed a period of decline comparable to this one? A. 1921 showed some de-

cline, yes, but I think we all know or we all agree that that was rather an industrial decline and not an automobile decline.

Q. Do you think it is fairer to require free riders, who aren't riding free under all requirements of law, to pay prior to asking for an emergency increase in the fare from seven and a half to ten cents, or to ask for an increase? A. I think if we require our employees to pay we would have an immediate increase in wage request. They would make that request and we would still be higher.

Q. There wages would still be above the cost of living, wouldn't they? A. If you compare it that way, but I don't think that's fair way to compare it.

Q. But the Trolley News thought it was? A. They said so.

Q. As to this classification into which your free tickets are divided, have you any data which shows the amount of used tickets by classes for this year or the past year? A. By classes? I think they are not counted that way.

Q. And that information is not available is it? A. No, that would be very expensive auditing.

Q. The reason, Mr. Nodder used it as he did, as he explained, the information was not available. A. But he had the available total at hand which would have been much fairer to use that total figure.

Q. But he used that in his exhibits? A. He didn't until he was asked about it. He could give the total four million eight instead of five million six.

Q. Are you serious in your position that passes to concessionaires and employees of Bay Shore and Gwynn Oak are authorized by the Public Service Commission law? A. I am not a lawyer.

(Mr. Howard) You always thought they were.

(The Witness) I certainly did, and my contracts are prepared by one of our lawyers.

Q. Do you seriously think that the public prefers colored cars at a ten cent rate to plain red cars at 7½ cents?

A. Not at all. If coloring the cars had that effect I am sure we would not paint them that way.

Q. Do you think the change in color of cars has anything to do with the decline of revenue passengers? A. We hoped it would increase rather than make them decline.

Q. You said the experiment was made around Easter time this year? A. We had the so-called Easter Parade.

Q. And Easter was what day this year? A. I don't remember.

Q. Wasn't it April 16th? A. It was about that time.

Q. I think you stated in your re-direct testimony that there was no slump in the company's affairs at that time, is that correct? A. Not prior to that time. January was pretty good and February was pretty good. March began to go down, but the particular slump was in May, June and July and August.

(Mr. Tingley) That's all.

CROSS-EXAMINATION (continued)

(By Mr. Clark) Q. Mr. Emmons, just one or two questions, not that they have a thing to do with the emergency, but I want the information at any rate?

Is there any difference in your opinion between the economic limit of fare and the fare that the traffic will bear? Are they just two ways of expressing the same thing? A. I think they are about the same.

Q. When do you think the economic limit is reached or how it is indicated? By the decrease in traffic or the increase in return? A. If the decrease in return, if you made no return on an increased fare that might show something, but as I have said, and said time and time again it depends entirely on the trend of business at the time. You might have an increased fare, or the trend of business would be so downward that an increased fare would not make up what you had lost. That would look like you had reached the limit, but you have not.

The same way again you might have an increased fare

on a rising trend of business, and you have increased passengers nevertheless with a greatly increased gross revenue.

Q. I should have said decreased returns instead of increase. Then you think that the fare really has nothing to do with diminishing traffic over lines? A. I think all these different cities I have read from would show that it's the trend of business at the time the fare is changed whether there is an increase or decrease in revenue passengers.

(Mr. Tingley) Regardless of the amount of change?

(The Witness) I think so.

Q. And you would look to that factor in determining when the economic limit of fare was reached then?

(Mr. Howard) To what factor?

(Mr. Clark) Trend of business.

A. Trend of business wouldn't show. Now, for instance, if we put an increased fare on a falling trend of business and did not even at that get an increased revenue, that wouldn't say the economic limit was reached because of that reason.

(Mr. Tingley) How can you tell when it is reached?

(The Witness) I don't know. The only thing is we would feel that ten cents is the United States coinage that is convenient to use and something that should be used, not more than that, so at least an initial ride. Now then it gets beyond that there has to be some question of zoning and some different arrangement.

(Mr. Tingley) It's more or less instinctive reaction on the part of street railway operating men as to when that point is reached, isn't it? There is no definite indication?

(Mr. Howard) You mean no experience to judge by. Is that what you mean?

(Mr. Tingley) I haven't asked him that. Both Mr. Clark and I asked him what the indications would be that would lead a street railway executive to think that

the point of diminishing returns or the point of decreasing returns had been reached.

(Mr. Howard) By a fare already charged you mean?

(Mr. Tingley) No, by a proposed increase or by a fare to be in effect or by a fare to be put into effect, and he stated that you couldn't arrive at that conclusion from a loss or an increase in revenue passengers or in passenger revenue because that was attributable wholly to economic conditions.

(Mr. Howard) If you hadn't put it in effect yet, how could you?

(Mr. Tingley) By studying statistics in other cities as Mr. Emmons has done, and what we have asked him, and what I would like to have the witness answer and not by counsel, what does indicate when the economic limits have been reached.

(Mr. Howard) Do you man as to a fare already put into effect or as to whether the economic limit is going to be reached by the fare that you are going to put into effect?

(Mr. Tingley) Either way.

(The Witness) We may look at it this way. A railways system as the United Railways appear to do the very best, to give the public the very best service at a minimum cost. Now if you are going to answer broadly in that way you might show you could put the fare to fifty cents and still get a gross increase in revenue. I say that would be absolutely all wrong. I say it's the service to the people at the least possible cost. Now I do not believe that ten cents is above the limit of what the people will eventually need to pay.

(Mr. Tingley) But you think ten cents is the limit?

(The Witness) I would say, and I did say before, that when you get above ten cents we will have to find some other system of zoning and let the long rider begin to pay for his long ride.

(Mr. Tingley) Why?

(The Witness) Because I think ten cents is looked upon in many ways today as the nickel before.

(Mr. Tingley) It is a matter of instinctive reaction.

(The Witness) No, it's a matter of feeling that that's a coin of the United States, that that's all we charge for the short rider. Beyond that the long rider should begin to pay more for his ride.

Q. (By Mr. Clark) Mr. Emmons, is there such a thing as a gouge limit? I am asking the question seriously.

(Mr. Howard) What do you mean by that Mr. Clark?

(Mr. Clark) I will define what I mean. It is possible to put the fare so high that necessitous riders only will use your line and by the use of your line by the necessitious riders there will be a large increase in the net returns. I would call that the gouge limit fare as distinguished from the economic limit of fare.

Q. (By Mr. Clark) Now, Mr. Emmons, would you say that that gouge or unfair limit, put it as you please, would be reached at the ten cents? A. I don't think the word gouge is a proper word to use, though its been quoted a good deal.

Q. I don't know any more expressive word and that's my word that I am using?

(Mr. Tingley) Mr. Emmons feels that he won't use it.

Q. But Mr. Emmons is sold on that ten cent fare, and a ten cent fare probably would result in necessitous riding and necessitous riding only, and yet you might get a very high increase in return? A. I think you are all wrong on that.

Q. I would call that beyond the economic limit of fare? A. I don't think any more of that than you pay ten cents for your cigar that you used to pay a nickel for.

Q. Has the diminishing traffic anything to do with the economic limit of charge? A. It depends upon the business trend.

Q. Will you say that it hasn't? A. I will say that you couldn't pin the falling off in business altogether for any

continuous period on a fare unless we would go for instance to twenty-five or fifty cents, and then I would meet your word on that, but for a ten cent fare I think the word does not fit at all.

Q. In fixing freight charges, do you know that the I. C. C. is influenced by the charge that will diminish the traffic in a particular line of freight? A. They make the freight charge fit the needs of the companies, no matter what it might be. Shipments have to be made and companies have to pay it and the consumer would have to pay it in the end.

Q. Isn't the diminishing of traffic the test which they use as the value of the service to the shipper? A. No, I don't think so, because a shipper that has to ship his iron and steel, he is going to pay what the I. C. C. tells them to pay, and the I. C. C. is going to tell them to pay in accordance with the needs of the railroads.

Q. You take the position as an experienced railroad manager that you don't know where to look for economic limit of fare in the operation of your road. Instinct only? A. At the present time we haven't found it.

Q. Now Mr. Emmons when you prematurely financed the maturity of those August notes, you are sure you did not have in mind this present plea to the Commission? A. I said we did not, and we did not.

Q. You weren't fearful of the poor position which you are now presenting to the Commission? A. Not at that time.

Q. When did you first determine as a matter of policy upon the preferred stock issue? A. We haven't determined upon it as yet.

Q. You got the authority didn't you? A. We haven't. The law gives the right to issue preferred stock without increased taxes and we would like to be in a credit position to let us take advantage of it.

Q. You knew nothing about the introduction of the bill? A. Of course we did. We knew about all bills down at Annapolis.

Q. And you had nothing to do with the introduction? A. We did not introduce it.

Q. Did you have anything to do with it? A. We knew it was being drafted and we knew it was going to be introduced, yes, we knew it was going to be introduced.

Q. Did you encourage? A. We did.

Q. Did you suggest it? A. We did.

Q. Then it was the policy of the company. When did you suggest it? A. It was during the Legislature in January.

Q. And your policy was if possible to create a base for the marketing of such an issue through an increased return, wasn't it? A. I didn't get your question.

Q. Your policy was to have your return jacked up materially in order to furnish a basis for the marketing of preferred stock? A. I should say that is not the purpose of our being here if that's what you are trying to say. Not for a minute.

Q. Could you under existing conditions finance a preferred stock issue? A. We certainly could not. I don't think we could.

Q. Could you under conditions which have existed since you exchanged your old preferred for your income bonds at any time since then, have you been in a position to market preferred stock to an advantage? A. I doubt it.

(Mr. Howard) You have with common stock, haven't you?

(Mr. Clark) How much common stock have you issued since then? A. I think about five million dollars.

Q. Common stock? A. That's history back of my time, Mr. Clark.

Q. We will only go back to 1920. That seems to be the limit of backward thought in this case. Since 1920 up to the present time have you been in position to market preferred stock to advantage? A. Not to advantage, no.

Q. In order to so market preferred stock, you would

have to make a different income showing, wouldn't you? A. We would have to have a better credit position and that requires a different income showing, yes.

Q. That's the reason you are here, isn't it? A. It is not. I said before it is not.

Q. I know you said it, but I can't see in your case where there is any substantial change in affairs. A. I certainly can.

Q. Your statement is then that your appearance now before the Commission has absolutely no connection with the fact that you want to issue preferred stock?

(Mr. Markell) That isn't what he said.

(The Witness) I said we are not here in order to issue preferred stock. I said we are here to get a position to give service to the people of Baltimore. We are here to ask to be put into a position of credit for our company.

CROSS-EXAMINATION (Continued).

By Mr. Toole:

Q. In asking for this ten cent fare, have you considered what it will mean for the working people who must use your lines and must pay that increased fare in order to get to work? People who get fifteen or eighteen dollars a week who have moved perhaps in the suburbs and who use up week by week all the wages they need? A. Mr. Toole we figured this: that the average working man, the crafts trade will work less minutes per day to pay their carfare to and from the city at a ten cent fare than they did when we had a five cent rate. Their wages have increased so very much. Now if you find people who have not had their wages doubled of course your statement would be right.

Q. You see Mr. Emmons there is a big difference. Whenever people talk about wages they take the building trades. Now there are a whole lot of other working people besides the building trades, men who work in various occupations, day laborers who often must go to work and find no work and come back and can't even earn a day's work. I think that lots of these people are working for

from fifteen to eighteen dollars a week. Now if you charge them two and a half cents more that's five cents a day.

A. You mean men are working at that rate? A. Of course lots of them are?

A. I don't know of them. We haven't any of that kind. I think you will find very few men working for that rate.

Q. There are lots of men working for $18.00 a week and $20.00 a week, you will find lots of them working today, and especially lots of people are reducing the hours. What I mean a lot of firms are working short time today? A. That's but a temporary thing.

Q. It might last two or three years, and it might last as long as the panic of 1920. Do you think we are entering a period of prosperity or otherwise? A. I feel there is not any particular depression at this time. I don't feel there is any particular change. These different magazines that we have to follow seem to be fairly optimistic about things.

Q. Isn't it a fact that they said the same thing in 1921? They were saying that until the Labor Department issued a bulletin that there were over six million people out of work at that time? A. The Baltimore Association of Commerce seems to feel there are not so many out of employment here.

Q. As a matter of fact don't they try to give business a sort of an absent treatment, Christian Science treatment? A. I don't know.

Q. What is it that fellow said about a little better every day? A. Dr. Coue.

Q. Yes. Well that don't always work.

(The Chairman) Day by day and in every way, we are getting better and better.

(Mr. Howard) Have you found that in your troubles, Mr. Emmons?

(The Witness) I wish we were.

Q. Now don't you consider that a large part of your fall-

ing off, while some is due to automobiles, don't you think a large part is due to the falling off in business? A. No, I think the major part is automobiles, and therefore I think we have to find a new level.

Q. Now one thing, I put it to my wife night before last and asked her her opinion why didn't people travel for pleasure any more. She said she wouldn't ride for pleasure because she would have to stand up. Do you think that that has anything to do with it? A. No, I think the people who ride for pleasure Mr. Toole that they wouldn't stand up. Take your wife out some night. You will find plenty of seats.

Q. You think there is enough seats for people to ride in the evening? A. Yes indeed.

Q. From about seven o'clock on. A. Yes you can get a nice ride.

(Examination concluded).

(Mr. Howard) The only thing we have is some letters to file and that closes our case.

Note: The Commission then adjourned for the purpose of taking a recess.

AFTER RECESS.

(Mr. Howard) I desire to file with the Commission, I won't take time to read it, a petition of 96 Banks and Trust Companies of the State urging a much more substantial margin of credit.

(Mr. Tingley) The banks are all bond holders.

(Mr. Howard) I think they are. The most of them anyway.

(Mr. Tingley) They say so in their petition, don't they?

(Mr. Howard) And a letter from Mr. Austin McLannahan, a member of the Savings Bank of Baltimore, to the same effect.

Thereupon—

**CARVILLE D. BENSON,**

a witness of lawful age, produced on his own behalf, having first been duly sworn, according to law, was examined and testified as follows:

(The Witness) In the first place, Mr. Chairman, I would like to file as part of my record the exhibit that I filed with my petition, which is this chart, and mark it Halethorpe Exhibit A, and the tabulation that goes with it, marked Halethorpe Exhibit B.

NOTE: Chart and tabulation above referred to are here filed in evidence and marked Halethorpe Exhibit A and Halethorpe Exhibit B.

(The Witness) As this chart and exhibit speak largely for themselves, and I explained them in the opening statement, I am going to refer to them very little.

There is one phase of the question of the rate to Halethorpe that has not been controverted by testimony but rather by suggestion and that is that Halethorpe is out in the county. As a matter of fact the City Line was never used as a basis for fare zones.

Before the annexation of 1918 the cars for one fare extended to Roland Park, which was in the county, they extended to Overlea which was well out in the county. They extended for Hamilton, which was well in the county. If my recollection serves me right they were also extended to Ten Hills, before annexation in 1918 and they went out on the Frederick Road some little distance beyond the county line. Even on the Halethorpe line, before annexation, they extended to Primrose Avenue, which doesn't show on the sketch, but it was beyond St. Mary's Industrial School, about a quarter a mile and was in the county some distance.

Now since annexation, while I was led to believe that the city would have some effect upon extending zones, I find that there are these lines extended beyond the city line by material distances. Lorraine Cemetery recently extended, according to the testimony of the President of the railroad, to gratify Mr. Clark and his friends. Now

that road, even at the city line before this recent extension, had a greater haul of mileage for one fare than the Halethorpe line had for two. Lakeside is now within the one fare zone, and I should say there is at least a mile greater haul there than there is for two on the Halethorpe line.

Dundalk Junction extends considerably over a mile beyond the city line. And the haul even to the city line is greater even for one fare than it is for Halethorpe for two. The line out Harford Road to Carney, extends for one fare to Taylor Avenue, ⅜'s, one half mile beyond the city line, and that line is a mile further for one fare than the Halethorpe line is for two. Now the Woodlawn line is about a mile or more beyond the city line, and it's a mile and a quarter more longer haul for one far than the Halethorpe line is for two.

Of course the exaggerated case is Slade Avenue, but which does not extend beyond the city line. That's on the Park Heights Avenue line, but that has a haul even in the city of a mile and a half to two miles longer for one fare than the Halethorpe line for two. But I call attention to this that even before annexation, this entire territory was considered as a metropolitan area for the purpose of street car transportation, and only in case where they wanted to use it as an excuse for not extending it as they apparently do at Halethorpe, has there been any attention to where the city line is.

Now, from 1920 to 1923, I got from the Building Inspector, who is here, and I am running over these without putting separate witnesses on, I think I can do it more rapidly, there were 329 building permits by people who use this Halethorpe line. From 1920 to date there are 636 such permits.

The Arbutus Land Company has erected sold in the last, about four years, started in the spring before my father died, 27 houses. Rittenhouse and Kelbaugh, who are building on the Arbutus land property, have built 51 additional. They had 60 lots remaining. They have three completed houses unsold and three uncompleted. George Lincolnson built and sold in the same period about 24 houses. The Northwest Halethorpe, there

have been built and sold 24, five completed unsold and two under construction, and at Leeds we have 11 in the last 18 months built and sold, one completed unsold and two nearly completed and unsold.

I mentioned these particular building companies because directly or indirectly I am interested in all of them. My father and I and Mr. Rittenhouse started the Arbutus Land Company, and after my father's death I had to take charge of that and push it through.

The Northwest Halethorpe Corporation I organized and my son is operating it for me, and the Benson Link Corporation is a combination of the Link boys and my son and myself.

There are other builders out there that are operating and developers besides those that I have mentioned, and in addition to the effect that it would have upon us who are developing, which I really look upon as very serious, because while I recognize that if the Commission finds that it's necessary to meet an emergency, it will be necessary to meet it and we are willing to carry our share of any burden that is placed there, but unless this Commission at once make an adjustment of our situation, then in the language of the President of the railroad, our situation will be beyond what is economically possible to handle.

We are working now under handicaps in selling property, I help to sell for the boys, I help to close contracts, when I can, and am active in all these corporations. I know that there are many sales that we can't make now because we are in competition with the Wells Construction Company, which is not Wells which the name implies, but Mr. Mopp controls it.

It has several developments in Baltimore, one runs through from the Frederick Road to Edmondson Avenue, within the one fare zone.

We find that people will buy property that is not as well constructed as ours, not as well located in many cases, simply because they will not go beyond one car fare.

Now whatever the emergency is, we feel that we shouldn't be compelled to carry our double share of any emergency or our double share of any rates, and that's what we have been doing up to now, and we feel that now this question is open, whether you call it emergency or not, that this injustice that has been done our community, contrary to the provisions of the Public Service Law should be remedied in this case and remedied now.

There is no question but that now there is an absolutely slowing up in sales, and we are slowing up in starting houses, because we know we would not be able to sell them should there be an increase in rates and still keep us on the two fares. It would mean an absolute stopping of development there and it might mean that we would have to sacrifice even the houses that we have built and haven't sold.

Now as to the people that we have sold, it may be harder than it is on us. We have sold a number of people on very small cash deposits. We have figured their financing for them, with no extra charge for second mortgage financing, we carry the second mortgages without any second charge additional to the 6% interest. Our profits are all tied up in second mortgages, and practically the cost of our property is tied up in second mortgages. Those people, many of them will tell you that they can pay $14.00 a week, some of them will say they can pay $15.00 but when you ask the man who says he can pay $14.00 to pay $14.50 he will tell you he can't do it or the woman of the house will tell you they can't do it. They work on a budget as economic, and as well planned in many cases as the budget of the United Railways, and they have to do it on their salary.

Now then if you double their increase, on them, there may be a condition that we will have to take back a good many of those properties, and those people will lose the equities they have established there.

Now there is just one other fact I want to call attention to, because while this may sound like argument, I think we have to present this as facts. The attorneys for the United may argue that if you take off this road

the second fare zone, although there is no evidence, they haven't put in any evidence on it, that you will take away all the profits of that section, is now paying.

That will not be literally true, because it isn't like cutting that off without any increase at all. If there is an increase in fare granted, that increase in fare will, if it is granted at ten cents, where they are now giving 15 cents in the full haul, there they use tokens and don't use tickets, it wouldn't be the whole thing, the 7½c. cut off, it would only be five cents of it cut off, because they would get the increase on the other end, and if you take the tokens plus the commutation, which would be 7½ plus about 4 and a fraction, it would be about 11½ or 12 cents, there would only be two cents difference as far as that particular line is concerned, that would be cut off and not the full seven and a half cents, cut off.

But, however the case may be, it seems to me absolutely clear that the United, and I think they recognize it, and I think we will be able to establish it in the law, that this Commission nor the United can testify any such excessive difference as exists, here.

I want to call Senator Harper's attention to the fact that the other day he said that the Carney second fare zone was shorter than our second fare zone. I believe I made the statement that it wasn't. I never thought of that because the Carney's first fare zone is so much longer than our two fares together, I overlooked that fact that their second fare was shorter than our second fare zone.

I am serious about this matter when I state it as my honest and sincere opinion that the Commission, if it should grant a two fare rate and not give us a single fare, that it would injure the United Railways and wreck us people along this line because we have had severe competition but this would be the blow that we simply couldn't stand. People are saying to us now, and my son is here and will tell you who is acting as a salesman, and I am repeating what he says, there is not much use going to people at all, because they say you have two fares now, and if it is increased to two fares that will be 40 cents a day. If you want visitors it will cost

visitors 40c and I have a family here who have four members in their family, who travel daily. It simply puts us in a position where the industrial situation is too much and——

(Mr. Tingley) You find that the amount of carfare does mean something to people?

(The Witness) Unquestionably it means something, but we have gotten along, but there is something in the point where it gets beyond where you can get along. However, we have gotten along with what we call a fare and a half to our customers. We have explained to them that we have some advantages there, and that that difference between 7½ and 12 isn't so much. We call it a fare and a half, but to double that it gets to a point where it stops.

Now I think as far as our people are concerned that all of our people would be delighted, and we could sell property there at a ten cent straight fare, but I don't believe we could sell it at a 20 cent straight fare. That is getting up to the price that used to be charged by the railroads even without competition. I mean without commutation. That's getting too high. I think there is a point where it gets to be prohibitive, and I think Mr. Emmons practically admits when you get beyond the ten cent fare, it has got to be adjusted by zones, and if you did adjust by zones then we would come in along with either the two five cents, or somewhere within reason.

(Mr. Tingley) It really comes to this, that the Halethorpe people would rather pay ten cents than 12, that's perfectly natural?

(The Witness) Sure. We feel like we ought to pay ten cents, and we feel that if the distinguished gentleman who is representing the people felt that if he was representing Halethorpe, he would have been with us long ago when this other adjustment was made, and extensions were given to such places as Taylor Avenue and to Lakeside and to Lorraine Cemetery, that he wouldn't have permitted that without taking care of the neighborhood of Halethorpe.

(Mr. Tingley) Would the people out there rather pay ten cents than 7½ cents?

(The Witness) Seven and a half cents to Baltimore?

(Mr. Tingley) Yes.

(The Witness) Well, I presume they would rather pay nothing if you want to get at that.

(Mr. Tingley) Some of them do pay nothing, don't they?

(The Witness) None that I know of.

(Mr. Tingley) Don't any of them ride in an automobile?

(The Witness) Well, I don't think they ride for nothing.

(Mr. Tingley) They do as far as the United is concerned?

(The Witness) Oh, yes.

CROSS-EXAMINATION.

By Mr. Howard:

Q. Mr. Benson, aren't you assuming there will be no commutation rates on an increased fare, if granted, in these proceedings? A. No, I am not.

Q. You said it would be doubled, and you were comparing 7½c plus 4½c with two tens? A. No, I did not.

I think I tried to show that if you add a 7½ plus 4½, you got about 12 didn't I, and ten I said you would get?

Q. You would pay two tens? A. No, I said you would get ten cents assuming the ten cent fare, you would get ten cents for what you are now getting for 12. I thought I had taken into consideration the commutation rates. I said the occasional passenger, the visitor, the people that don't buy commutation tickets, don't have enough occasion to buy commutation tickets, and the people of Halethorpe are just like other people, they have to have their mothers and fathers and relatives visit them, and they don't want to have it put on a basis

that it will be so expensive that they will cut down their visits, or won't attend. Now they can come out there now for 15c, two tokens, it would then be if it was straight ten cents, why it would be 20c to get to Halethorpe.

Q. In order to compare that with a token commutation rate, you ought to compare it with a commutation rate on the other, oughtn't you? A. I should say so, yes.

Q. And most of these house buyers who figure so closely as you have said, don't they buy and use commutation tickets? A. Yes, they do.

Q. Then it would be a question of 12 and 15 cents, wouldn't it? A. Yes, but not a question therefore as between one and two.

(Mr. Tingley) Gentlemen, Mr. Emmons said that in the permanent case, the commutation rates would be increased.

(Mr. Howard) But we are not arguing the permanent case now.

Q. (By Mr. Howard) You don't mean when you say, that these house purchasers that your companies have sold houses to, that you figure so closely with them, that you don't give them a cent or two more to pay for extra carfare? You don't take the last cent do you? A. We sell down as low as one hundred dollars sometimes. You wouldn't believe that hardly, would you? Cash payment. Now as far as taking the money from them, we don't take the money at all. We finance them.

Q. It's a finance company then, is it? A. No, we finance them thru the building associations for their first mortgage. We may sell the ground rent and finance them thru the building association for the first mortgage and we have to carry the second mortgage.

Q. Senator, isn't your principal complaint one of discrimination? A. Absolutely and preference given to other communities.

Q. Wouldn't your complaint be met practically as fully by jacking them up to the same level as you, as by letting

you down to the same level as they? A. No, I would say that was robbery.

Q. Now you testified as to the number of building permits and the large number of houses that have been constructed in Halethorpe, during the last four years and the last seven years? A. Yes, not as near as large as it should have been.

Q. I was asking does that show how large it was or how small it was in number? A. No, it shows that we have had quite a little activity since annexation, practically.

Q. And that is all under the handicap of having two fares to pay? A. Absolutely, sir.

Q. Senator, when the Halethorpe road was built, didn't you write the United that if they would only build it there, that you wouldn't ask for a single fare? A. I would like to see that letter. Have you the letter?

Q. It's more than three years old? A. Yes, sir, and we are only asking now that we be put on the basis that we were then. We then paid ten cents to get to Baltimore, and I don't care whether that ten cents is in two fares or one fare.

Q. You don't sell houses for the same price you did then, do you? A. No, of course we don't.

Q. Now, Senator, look at the map to the left of you, your exhibit over there? A. Yes, sir.

Q. That is a map of a blue print of a map of Baltimore City, isn't it? A. Yes, sir.

Q. The red line indicates the city limits, doesn't it? A. Yes.

Q. It is a fact, isn't it, that Halethorpe is down south, or the southwest line there? A. Yes, sir.

Q. It is nearer to the center of the city than any other place that is within the limits, isn't it? A. Yes, sir.

Q. In other words the city limits bite in further by Halethorpe than anywhere else in the circumference of the city? A. Yes, sir.

Q. You would yourself admit, wouldn't you, that distance from the center of the city is not the only factor to be considered in the proper zoning of car lines, that density of population and whether a line pays for itself and things of that sort are necessary proper subjects for consideration? A. No, not entirely. I have seen Overlea, I saw Overlea when it was a truck farming section. I saw the United Railways go out there and I saw Overlea developed into a suburban section rapidly, because Overlea at that time in the county, Halethorpe in the county, both in the county, Overlea was given a preferential rate of half the fare over what Halethorpe had, Overlea not having any natural advantages, not any better ground, not better houses, no more healthy, Overlea has grown to be one of your more densely population routes.

The same thing applies to Hamilton and every place that you went with your railway and gave a one fare that was the section that built up, and sections that were held on a two fare were retarded.

Q. Do you think then the greater growth of suburban developments to the north and east of the city as compared with the south, has not in any way resulted from the relative advantages of the two localities? A. I beg your pardon, I don't live in the south, I live in the southwest.

Q. You don't think the relative advantages of the two localities have anything to do with it? A. There were no advantages that they had except of course Roland Park. Roland Park had the advantage of an excessive amount of money and a beautiful location, and we don't claim to be competing with Roland Park.

(Mr. Howard) That's all.

(Mr. Toole) Do you think that an increased car fare would be a burden on the people in your locality out there?

(The Witness) I say that if this fare is put to 20 cents, to Halethorpe, where it was originally ten cents to Halethorpe, you would be putting on the Halethorpe people twice as much of the burden as you are putting on

any other locality around Baltimore, and that would be excessive and unfair, unreasonable and giving other sections an undue and unreasonable preference over our community.

(Mr. Toole) Your objection isn't only the advantage that one community might have over another, but you object also to the hardship it would put on the people living in your locality?

(The Witness) Of course the two go together.

(Mr. Toole) Yes. What is the average wage out there among the working people, do you know?

(The Witness) I don't know.

(Mr. Toole) Are there a great many working women out there?

(The Witness) Quite a few women come in to work as well as men.

(Mr. Toole) Compelled to work?

(The Witness) Yes.

(Mr. Toole) Do you know anything about the wages they get?

(The Witness) I really do not. I wouldn't like to testify about the average of wages. I don't know.

(Mr. Toole) I had intended to put on some witnesses about that but we will put it off until the next hearing. Isn't it true also that sometimes the wages of the whole family are necessary to finance the buying of a house like when sons and daughters are working?

(The Witness) Frequently in some cases the husband and wife both work.

(Mr. Toole) All necessary?

(The Witness) Yes.

(Mr. Toole) Then in order to buy your houses, not just one man must pay carfare in and out each day, but two, three or four?

(The Witness) I think it would average more than two for each house.

(Mr. Toole) At least three for each house?

(The Witness) I wouldn't be surprised.

(Mr. Toole) Would have to pay that additional car-fare? That's all.

(The Witness) Thank you very much for helping me out.

(Examination concluded.)

(The Chairman) Now we will start with the argument.

(Argument heard.)

NOTE The Commission then adjourned.

## SIXTH DAY.

(The Chairman) Now, gentlemen, we will proceed with the case in the order that was followed in the emergency hearing. That is, the railway company will put on its case followed by Mr. Tingley and the other protestants. The Company will be given every opportunity to present its case in any way that it sees fit to present it, and then at the conclusion of the Company's direct testimony the Commission will take a recess in order to let the People's Counsel study the exhibits, etc., and also to permit the Commission to handle a number of other cases that have come up and which have been set down for hearing.

At the conclusion of that recess the People's Counsel and other protestants will put on their case and it may be necessary at the conclusion of that to take another recess for some days if it desires to do so, and then there will be any additional testimony put on by either side, and we will set a date agreeable to everybody for argument.

(Mr. Howard) I would suggest that the testimony introduced in the emergency hearing be considered a part of this case.

SEVENTH DAY.

Thereupon—

**C. D. EMMONS,**

a witness of lawful age, produced on behalf of the applicant, having first been duly sworn according to law, was examined and testified as follows:

DIRECT EXAMINATION.

By Mr. Howard:

Q. Mr. Emmons, I believe the Commission already know who you are and your qualifications from your previous testimony in the emergency case. What I first want to do is to take up some proof that was put in then and bring it up to date. Now I will take that up in the same order in which they were filed as exhibits, and I think the first exhibit that was filed on behalf of the Railways Company at the emergency hearing, Exhibit No. 1, was one that was called "Decrease in Passenger Revenue" or "The First Eight Months of 1927 Compared with the First Eight Months of 1926, also a Comparison for the Last Four Months of the Period."

Now since then some additional time has elapsed, and I presume therefore you can bring that exhibit up to date. Have you prepared or had prepared under your supervision such an exhibit? A. I have had such an exhibit prepared, Mr. Howard.

(Mr. Howard) We will ask the stenographer to mark this exhibit No. 1-A.

NOTE: Statement above referred to is here filed in evidence and marked "Applicant's Exhibit No. 1-A."

Q. Now, Mr. Emmons, will you explain briefly to the Commission how that is brought up to date and what it shows? A. Exhibit 1-A is exactly the same as No. 1 in the preliminary hearing down to July. In No. 1 August was made approximate with a decrease of $39,808 passenger revenue or 3.13%. In bringing that down actually the approximation is almost correct, the actual figure being $39,810.00, the percentage remaining the same, 3.13.

The actual for September is a loss in passenger revenue of $42,311.00 or 3.21%.

We have estimated October approximately as a loss in passenger revenue of $45,556.00 or 3.21%, giving a total decrease from the first ten months of $381,198.00 decrease in passenger revenue or 2.84%.

In the lower part of this exhibit we have shown the comparison of the last five months, May, June, July, August and September, which shows a total decrease in passenger revenue of $249,534.00 or 3.73%, the fact being that we are continuing to lose, as a later exhibit will show, day by day in October.

Q. The only estimate in this table is what? A. October is approximate, 3.21. It now looks like it will probably run more than that, but I might say we have used 3.21 in a later exhibit that we will submit as being possibly nearly correct.

Q. When you say it might possibly run a little more you are referring to the days that have elapsed since the period when this exhibit was prepared? A. Yes. We are going down at a greater rate than 3.21 at the present time.

Q. Now Exhibit No. 2 of the Railways Company in the former hearing was a "Comparative Statement of Revenue Passengers." This first statement that you have just filed is one of passenger revenue, isn't it? A. Yes.

Q. There is a little difference between passenger revenue and revenue passengers? A. Yes, there is.

Q. What is that difference? A. The difference is the revenue passengers count all the different classes of passengers.

Q. Per capita? A. Per capita, and the passenger revenue is the amount of revenue received from those different classes.

Q. And all fares are not alike? A. All fares are not alike.

Q. Your previous statement was one for years 1920 to

1926 inclusive with the year 1927 added by months and the month of August approximated. In what respect have you brought them up to date? A. We have put August in as actual, September in as actual, and approximated October.

(Mr. Howard) We will ask the stenographer to mark that Applicant's Exhibit 2A.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 2A.

Q. So in other words this is brought up to date in the same manner that Exhibit No. 1 was? A. Yes, sir.

Q. Will you explain briefly to the Commission any points in connection with this Exhibit No. 2A which you may think will help their understanding of it? A. The top part of Exhibit No. 2A is identical with the top part of Exhibit No. 2, being years 1920 to 1926 inclusive.

The lower part of Exhibit No. 2 ended with July and had August approximate as a loss in revenue passengers of 499,951 or 2.89%. Apparently that was accurate, because in the new statement August shows that identical loss of 499,951 or 2.89%.

September shows an actual loss of 488,732 revenue passengers or 2.72%, with a net decrease of revenue passengers for the first nine months of the year of 4,102,501 or 2.46%.

October then is approximated with a loss of 564,971 revenue passengers or 2.91%, giving a net decrease in revenue passengers for the first ten months of the year 4,667,472 or 2.51%.

Q. I believe you have already explained it, but why are the percentages in this table a little lower than the percentages in the table of passenger revenue, or what does that indicate? A. The percentages only would be the same if all of the various classes of fare decreased the same amount. If there is a greater decrease in the higher class of fare which we find to be true, then the percentage of revenue passengers would be less than the percentage loss of passenger revenue.

Q. In other words, this indicates a greater falling off in full fare passengers than in computation or school passengers? A. It does, yes.

Q. Now old Exhibit No. 3 was a statement or estimate of the preliminary results of August, 1927, compared with the results of August, 1926, on a day to day basis giving the weather conditions too of each day? A. Yes.

Q. I presume you are able to supplement that, are you not, and bring it up to date? A. Not the month of August, because that was completed. We have, however, made a similar statement of the month of September and also one for the month of October as far as we could bring it up.

Q. Are they on two sheets? A. They will be on two sheets, yes.

(Mr. Howard) We will ask the stenographer to fasten those together and call them Exhibit No. 3A.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 3A.

Q. Now, Mr. Emmons, these two sheets are tables constructed on the same basis as Exhibit No. 3 at the preliminary hearing was, that is to say they are the day by day passenger receipts, the first one for the month of September and the second sheet for so much of the month of October as you were able to include, that is, up to the 25th? A. That is correct.

Q. Taking the September one first, is there anything in it that you want to especially explain or call the attention of the Commission to? A. Excepting the fact that it shows a continuing loss and to my mind shows the need of quick relief that we were asking for before which we unfortunately did not get, and shows the need of relief certainly at the present time. The day by day comparison for the month of September shows a loss in passenger revenue of $42,585.00 or 3.23%. The question may be asked why that isn't 3.21. This 3.23 includes chartered cars, which make a slight difference. But of the 30 days in September there were only three that showed an increase at all. One of them was a Sunday

with a rainy day last year, one was a Labor Day comparison, and another was a Hebrew holiday last year as against no holiday this year.

Q. It was suggested I believe in connection with the emergency hearing that last summer was a very unfavorable period as a basis for comparison owing to various conditions. Are there any features as to these tables that bear on that point, for instance, the B. & O. Fair of the Iron Horse, I believe it was called? A. Yes, they should have helped our earnings this year, and while we did haul a lot of people it wasn't able to offset the loss we were getting.

Q. Why did it help your earnings if it did? A. Because we hauled quite a number of people to Camden Station, taking the train down. We hauled quite a number out on the Halethorpe line and went out on buses at the end of that line.

Q. In other words there were two ways you might say—— A. There were really three ways. Some people went out the Washington Boulevard to Morrell Park.

Q. Did you run buses from there? A. There were buses running from there.

Q. And from the Halethorpe line buses were run? A. Yes, sir.

Q. But in addition to that did you take people to Camden Station going to that Fair? A. Yes, sir.

Q. Did many people go to that Fair? A. Over a million and a half people.

Q. So that is a feature that you didn't have last year, isn't it? A. We did not.

Q. You have noted at the foot of these exhibits the special holidays and features that have anything to do with the amount of business? A. Yes.

Q. Any other special things you would like to call the Commission's attention to now on that? A. I think that's all.

(The Chairman) I notice, Mr. Emmons, that on no

day as far as I have been able to see, during the Fair of the Iron Horse did the passenger receipts equal the passenger receipts for the corresponding day of last year except on two occasions. On Monday the 10th of October there $49,673.00 as against $49,556.00 for the corresponding day of the previous year, and on October 11th $46,885.00 as against——

(The Witness) That's a loss. There was only one day really.

(The Chairman) Yes. Then only one day during the Fair of the Iron Horse did the receipts of the company equal the receipts of the corresponding day of the previous year?

(The Witness) That is true.

(The Chairman) In spite of the fact that they had this big Fair out there, fewer people rode?

(The Witness) Yes.

Q. And do you know whether a large proportion of the people who went by way of Camden Station did you use your lines? A. We ran I think something like 560 extra cars to take care of the people, so I take it from that that they did.

Q. You remarked a moment ago that what the Chairman was referring to was the second of these exhibits. Had you made your comment on the second as well as the first? A. No I had not yet.

Q. Have you anything to say in reference to the sheet showing the October results? A. I have this to say: that out of 25 days during the month of October we show only three days with an increase, one of them referred to by the Chairman being the 9th of October wherein the Fair of the Iron Horse did probably pull us out of the red, the next being the 16th where we had a very good clear Sunday as against a rainy Sunday last year, and the next the 23rd, again a partly cloudy Sunday as against rain last year, the weather conditions on Sunday having a marked effect on the riding.

The result for the 25 days, three of which are increases,

22 of which are decreased, being a decrease in passenger revenue of $39,262.00 by a day by day comparison of 3.42%, and taking the 25 days by dates, which will be the actual comparison, with the month in the end, the decrease is $38,205.00 or 3.33%.

That's the reason I said a while ago we used 3.21 which is actually lower than we are running at the present time.

Q. And taking the month of October as a whole would you say it was good riding weather or bad riding weather for cars? A. It has been really a fine month as a whole I think. I think that everyone remarked that during the Fair of the Iron Horse we had remarkable weather.

(The Chairman) What is the explanation of Sunday, September 4th, as compared with Sunday, September 5th of 1926? The Sunday was rainy I assume and yet you show an increase of $2,476.00?

(The Witness) That was rain last year, Mr. Chairman.

(Mr. Tingley) In the afternoon?

(The Witness) Rain last year in the afternoon.

(The Chairman) Oh, I read that as rain this year.

Q. Then passing then from these exhibits, your former Exhibit No. 4 you have not brought up to date, have you? That was cash receipts for months of July and August? A. No, that was complete in itself.

Q. Now your former Exhibit No. 5 was a chart showing the comparison of your monthly net income for 1927 with the average monthly net income for seven years and showing the highest and lowest for each month? A. Yes.

Q. Have you anything to bring that up to date or not? A. No we did not. It was not an exhibit we introduced and we did not bring it up. We introduced it, but it was following an exhibit introduced by the other side.

Q. Exhibit No. 6 was also something for the years 1920 to 1926 and didn't need any bringing up? A. That was complete in itself.

Q. Exhibit No. 7 was your estimate of income for the year 1927, which consisted of two parts, in fact of a sheet called "A," your estimate for income for 1927, and a sheet called "B," being your estimate of revenue passengers and passenger returns for 1927. Now as some time has elapsed since then I presume you have a little more light on that subject, haven't you? A. We have made a new estimate, yes, which we present.

Q. In your new exhibit I believe the first nine months are actual and the last three months estimated? A. Yes.

(Mr. Howard) We will ask the stenographer to mark this Exhibit No. 7C.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 7C.

Q. Now this exhibit is not a re-statement of the whole of the previous exhibits, but I believe it starts with them and brings up to date by adjustments, doesn't it? A. No, it starts with the first nine months actual. In the previous exhibit we had only the first seven months actual. Then we have set into the first nine months its proportion of the added expenses for accidents and for power.

Q. Are those the same two items that you testified as to at the previous hearing? A. They are, but I might say here that while we used $120,000.00 for power and are still using it here, later figures look like that one hundred and twenty might reach one hundred and fifty. It's still in controversy, but in order to avoid criticism made before as to the first seven months being $383,000.00, and the total year being $489,000.00 and only expecting about $100,000.00 the last five months, that being caused by the fact that we were taking the entire amount of the accident and power adjustments out of the last five months, we have in this new statement taken the proportionate part of the adjustment out of the first nine months.

Q. You had distributed it over the twelve months? A. Yes.

Q. Instead of putting it in the last few months? A. Yes. The result being that the revised figure for the first

nine months with adjustment for power and for accident, and also the adjustment for the increase in taxes of $75,000.00, shows that $443,391.00 becomes $207,141.00 as the net income for the first nine months.

Q. That's under the column with "A" over it, isn't it? A. That's under the column with "A" over it, yes, sir. Now the last three months are estimated on the basis of the actual of the last three months of 1926 less that 3.21 that I spoke about, when we were talking about the earning loss, and as I said we are actually running more than the 3.21 at the present time.

Q. More off from that you mean? A. Yes, we are having a greater loss, but the passenger revenue being figured on that basis with the other revenue taken the same as last year.

Then the expenses are figured on a basis of 1% decrease. That again perhaps is more than we can find, because our month of September shows, reports gotten out since this was figured up, that while we lost $40,000.00 in gross, our loss in net was forty, so we really saved nothing in our operation, but nevertheless if we do save 1% in our operation, it will bring the operating expenses, plus adjustments to $2,572,222.00, the only other change from the last six months of last year being the item of taxes which carries this adjustment for the last three months, the item of park tax, which is figured at 6.7% of passenger revenue, and I am sure the Commissions understands it, I think Mr. Sobeloff now understands it, that is passenger revenue over the entire system outside of Baltimore City as well as on private right of way in Baltimore City.

(Mr. Sobeloff) I understand that.

(The Witness) It doesn't mean we are putting the difference in our pockets.

Q. Anyone who understands the situation and decisions of the Court of Appeals ever supposed that the Park Tax was on your entire revenue, did they? A. They did not.

(Mr. Sobeloff) The only point I want to make is, that

while we talk about the 9% tax, it isn't as burdensome as that figure might indicate.

(Mr. Tingley) I think we are all together in that we don't want to increase the Park Tax.

(The Witness) That certainly is a great burden on this company, and it would mean that this company out of a ten cent fare would only get about 9.3 cents for itself. That to my mind is rather a burden the street car rider should not bear, I think we all agree with that, though we have borne it for long years. The same with the paving tax. I think that is a burden the street car riders should not bear.

Q. The Commission can't relieve you of those? A. I know they can't, but I am just simply getting something off my chest.

Q. At any rate the figures you have assumed here for Park Tax is the ratio that experience has shown and is in conformity with the decisions of the Court of Appeals as to the basis of apportionment and other factors that control, isn't it? A. That is right. Then the income tax becomes a credit there, because we have been setting up an income tax on the assumption that we were going to have to pay, have some earnings this year, not realizing the way we would be falling off.

Q. You don't mean that your income will fall so low that Uncle Sam will give you a bonus, do you? A. No, I mean that we have set up more than zero, that is, we have set up an amount that we will not have to pay. We will have to pay a little, but not to the extent that we were setting up for it. There is a credit in the last three months to bring that back.

Q. One case of a reserve that's fully adequate? A. At the present time. It's unfortunate that it is. The result being for the last three months we estimate a net return, with those adjustments, $217,247.00 for a total for the year of $424,388.00 as against our original estimate of $489,000.00 showing we are going worse than we had anticipated.

Q. And how much nearer the end of the period are you

now when this estimate was made than when the former estimate was made? A. The former estimate was made with five months estimated and this has three months estimated which is two months nearer the end.

Q. And that figure below is your net income after paying fixed charges? A. Yes, $425,388.00.

Q. Now down below you have a note added on operating expenses. Does that require any explanation? A. No, I did rather explain it as we went through. That's an adjustment of the power and accident reserved for the first nine months to the last three months and the total adjustment for the year.

Q. And you have a second note below giving your percentages of increase and decrease of operating expenses? A. Yes. This shows an average of .58 and we use 1 as a decrease, but as I say in the month of September we did get a 14% decrease in operating expenses.

(Commissioner Harper) Did you explain the $180,000 in the second column opposite operating expenses?

(The Witness) Yes, that was the nine months adjustment of $240,000.00 made up of $120,000.00 additional power cost which I just stated might be one hundred and fifty, but we are still holding to one hundred and twenty, thinking that perhaps we can hold it at that in the end, also the accident reserve.

(Mr. Tingley) It's .42% increase and not decrease, in September operating expenses.

(The Witness) That is right. I am glad you corrected me. I said .14% decrease, but it's shown .42. That is we did make this estimate on the assumption that while the business would fall off in dollars at the rate of 3.21% we might possibly hold our expenses down by a figure of 1%. Now it looks like business is falling off at a rate greater than 3.21% and we are not able to hold our expenses down to 1% below of last year, so this figure of $424,000.00 will probably be high in the end rather than low.

(Commissioner Harper) In view of the fewer car

miles operated, it occurred to me that 1% would be rather conservative.

(The Witness) As against last year we are not operating so much fewer car miles. These statements made about our car miles and about the increase of passengers, of the first eighteen days of October as against September are not correct statements at all, because the first of September our car miles are high because our parks are operating. All the parks are operating at high speed, and we——

(Commissioner Harper) You mean the City Parks.

(The Witness) No, our own parks, Bay Shore and Gwynn Oak and River View, and the first days of September the schools are not open. The private and parochial schools, a good many of them, are not opened until the latter part of September. Then when we come to October and then you get this big increase in passengers, the Fair of the Iron Horse is on and all the schools are open as against not being open in September.

(Mr. Tingley) You operated fewer car miles in October, didn't you?

(The Witness) We made our fall changes in schedules according to the business.

(Mr. Tingley) Doesn't the Fair of the Iron Horse and the schools operate the other way?

(The Witness) No, the parks work against that, and going out the Bay Shore Park we run about four times the miles in an hour than we do up there in the city, so when you got a high speed line operating your car miles will run up very quickly. When that is off, as against a slow speed line, you can see that quite a difference is there, and they are really not comparable.

(The Chairman) Have you actually decreased your operating expenses over last year, Mr. Emmons?

(The Witness) In September we were a little bit more than the operating expenses last year, I mean as a whole. For the first nine months of the year our passenger revenue decreased two and three-quarter per cent., our

operating expenses decreased .82%. We had a slight decrease in the operating expenses last year, but nothing like the decrease in passenger revenue. In dollars it was $335,000.00 decrease in revenue, decrease in operating expenses, $60,000.00.

Q. Mr. Emmons, turning aside for a moment from the exhibit, perhaps this would be a good point to ask you to explain a matter in relation to which you have just been asked about. There has been some suggestion made that you cut service since the Emergency Rate Case was instituted. Have you anything to say on that subject? A. We have endeavored to keep our service standards in accordance with the Commission's standards and have only revised our schedules as we would do under any circumstances. We have not particularly made cuts of service. In fact we have endeavored, along with Mr. Tingley, to get people to ride. We thought he was helpful to us to get people to ride, so we have put invitations on the cars which do not seem to have been extremely helpful.

(Mr. Clark) No, because they didn't state the facts. We can't read on the street cars half as good as we can in an automobile.

(The Witness) Mr. Toole said he could.

(Mr. Clark) We have trouble hanging on the straps.

(Mr. Toole) I come down with bankers when I ride, but I only ride once a week.

(The Witness) Our records show we have to date this year made 56 changes in week-day schedules, we have made 49 changes in Saturday schedules and 31 changes in Sunday schedules. Last year, 1926, we made 67 changes in week-day schedules, that's for the whole year as against nine months, we made 62 changes in Saturday schedules, we made 32 changes in Sunday schedules, and I asked this morning as to the number of complaints that had been received with regards to our service. I find a total of ten since the Emergency Hearing, two through the Commission, one through the Sun newspaper and seven direct to us.

I have analyzed all the changes in the schedules and they are apparently carefully worked out. We have our traffic man here, Mr. Locke, and I have in mind, that if that question wants to be gone into any deeper I will have Mr. Locke take the stand and he could explain the whole system of schedule making, the whole system of endeavoring to meet the problem of traffic as presented. There are times when you have a schedule that is apparently taking care of business, and for some cause or other a block down town, a fire, or other things, cars get bunched, and the first cars are terribly overcrowded. Its a most difficult matter to handle, and we have been trying definitely to keep at least to Commission service standards, which we feel are fine from our study of other cities and our records of other cities. They are more severe in Baltimore than any town we know of. 50% overloading seating capacity is not required to our knowledge any place else. Many places they have 100%, in many places they have no limit at all. We have been endeavoring, however, to conform to the 50%, but that has thrown us entirely out of the possibility of seven passengers per car mile which the Commission figured years back, so that now we are not far above six and a quarter passengers to car mile.

Q. Now, Mr. Emmons, one word more in reference to this Exhibit No. 7C then. If I understand this figure of $424,388.00, at the lower right hand corner represents your best estimate of what your net income for the year will be, subject to the exception that you had said the $180,000.00 is going to prove inadequate and that those two items that make up the $180,000.00 are going to prove inadequate in that you will have to pay the power company more than the amount stated, and the accident reserve will need at least that much revision? A. Yes, it looks like that at the present time. In fact the late figures indicate that that $120,000.00 will have to be increased to $150,000.00.

Q. And your $120,000.00 is minimum? A. One hundred and twenty is the minimum, yes, sir.

Q. And as to the accident reserve feature, how about that? A. That we still feel $120,000.00 is absolutely nec-

essary to build us up to a position not where we ought to be, but toward where we ought to be.

Q. Anything happened since the previous hearing to make you think otherwise? A. Excepting I have had a very careful analysis made of the accident situation. Mr. Page, our claim agent, is here and I thought if that needed to be gone into very deeply that I could have him take the stand. I might give just in brief a further anaylsis in addition to the testimony that I gave before to this effect, that while in 1920 we set up 4½% our expenses were 4½%; in 1921 we set up 4%, our expenses were 4.12%; in 1922 we set up 4%, these all being of our gross earnings, and expenses were 3.71%; 1923 we set up 3½%, expenses 3.29%; then we dropped to our present rate of 3¼%, the expenses 3.22%, that was 1924; 1925 3¼% set up, the expenses 3.45; in 1926 3¼% set up, the expenses 3.4%; 1927 3¼% set up and expenses to date 3.82% of our gross earnings.

Q. That's for the months that have elapsed merely? A. Yes.

Q. What date is that brought up to? A. This is the first eight months. In the first seven months, as testified before, our deficit at that time was $10,000.00 a month or $70,000.000. There were 415 claims on the docket as of August 31st as compared with 328 on August 31st, 1926, an increase of 87 suits, and this means we will have a larger number of suits reached during September and January terms with a consequent increase in expenditures for this purpose.

For the year 1926 there were 346 suits filed, an average of 29 per month. For the first eight months, in view of the increased number of suits on the docket, and a general increase in claim costs, it is fair to assume there will be at least a corresponding increase in the suits in the last four months of the year. Our expenditures for the last four months of 1926 amounted to $214,000.00.

(The Chairman) That's for claims?

(The Witness) That's for claims, yes, and in analyzing the January 1 to August 31, 1927, against the 1926, we find 17% increase in cost of claims, so applying that it

would make for the last four months of 1927, $250,000.00, making a total increase in claim department expenditures alone for the year about $96,000.00, but that doesn't give us any leeway to make any accumulations so we have used the $120,000.00.

Q. And I believe at the last hearing you went very fully into that item of taxes? A. Yes, I did.

Q. Has anything happened since then to indicate that you might get relief from them in any way? A. Not a thing. The only relief that can be gotten is for the company to get in a credit position to take advantage of the preferred stock law and I don't see that we are getting that credit position very quickly.

Q. Nothing further that you have to explain about this exhibit? A. No.

Q. Now Exhibit No. 8 at the previous hearing was a statement of your annual shortages in net income from 1924 to 1927 with the last five months of 1927 estimated, those calculations being made with reference to the basis or assumption of $1,182,142.00 which was the estimate of the Commission in the 1924 Rate Case? A. That is right.

Q. Have you brought that up to date? A. We have revised it to agree with the Exhibit No. 7C concerning which we have just been talking about, to the effect that the figure for 1927 which was shown on Exhibit No. 8 in the last case with a net income of $447,849.00 now shows $424,388.00 or less than $1,182,142.00 or $757,754.00 on Exhibit 8A instead of $734,248.00 as shown on Exhibit 8, making the total less than $1,182,142.00 since 1924 $1,345,548.00 instead of $1,322,042.00.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 8A.

Q. That's very short and doesn't call for much explanation, does it? A. I think not.

Q. None other than you have already given. You have brought it in conformity with Exhibit No. 7C, is that right? A. Yes, that's right.

Q. And it shows a falling below the Commission's estimate of a little less than $1,200,000.00, it shows a falling below that of $757,000 and odd dollars for 1927? A. Yes.

Q. Now the old exhibits from No. 9 to No. 21 inclusive were not ones that included the last few months or an estimate of this year, were they? A. No.

Q. At any rate they don't require to be brought up to date? A. No. I don't know Mr. Howard, but what it might be well to stop for a moment on this long and short haul rider that Mr. Clark talks about.

Q. Is that in connection with any exhibit? A. Yes, that's Exhibit No. 12 the last time. It seems to me that it ought to be very clearly apparent that there is no relationship of the chart showing an increase in long riders and a decrease in short riders, a relationship to the fare at all, because the short haul district was a more or less completed district in the early years with the long haul district farming communities. With the long haul district growing and the short haul district staying stationary, the point comes this way. I think its very easily explained if you would take for instance 400,000 which was about the population in the short haul district and we will say in 1900 approximately 100,000 in the long haul district. Now in 1925, 25 years after that, 400,000 in the short haul district still exist, but the long haul district has increased to 400,000 itself, it has increased 300%, with the short haul district remaining stationary.

Now if there is a general 10% decrease in loss of riders that would affect both districts, the long and short haul, so the effect would be that 400,000 in the long haul district would reduce to 360,000 and the same would be true of the short haul district, the 400,000 would reduce to 360,000, which would show a loss in the short district of 10%, but a large increase over that period in the long district of 260%, so that I think the Commission must thoroughly understand it, but so much talk has been made about the short haul people falling off as against the long haul people increasing that I felt I had better stop there a moment and try to get that absolutely straight.

(Mr. Clark) You are speaking now of just one factor. There are other factors that belong to the acquisition that you are not mentioning.

(The Witness) That is the main factor, the increase in the population of the long district and the stability of the population in the short haul district.

Q. Now, Mr. Emmons, the former case had to do with the an emergency rate prior to such rate as might be allowed at the final rate hearing, therefore we were not especially concerned with the results for next year, because presumably by that time we would have had our final hearing, but the present being the final rate hearing the question of 1928 becomes at least equally important with 1927? A. Yes.

Q. Have you made any estimate or table of what your expected income for the year 1928 will be if the present rates of fare were continued? A. We have, yes.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 22.

Q. Now before you explain the details in the columns, let me ask you to explain this. You have prepared this estimate according to a continuation of the revenue at the same rates, according to a 1% decrease, 2%, 3%, 4% and 5%, haven't you? A. We have, yes, sir.

Q. 5% by the way is the rate of decrease that was assumed by the People's Counsel in the exhibits that they prepared at the last hearing? A. On a 10% rate basis.

Q. This, however, is a table of your estimate if your present rates continue so that element does not enter into it? A. That is right.

Q. On the other hand the question as to whether your shrinkage is progressive, of whether you have now reached the statutory point enters into this, doesn't it? A. It does, yes.

Q. And these assumptions of percentage decrease, the columns other than the second one, they are each based on the assumption that there will be a somewhat continuous shrinkage, aren't they? A. Yes.

Q. Now will you explain to the Commission how this table is made up and what it shows? A. The first column is a duplication of Exhibit No. 7C with the result of a net income of $424,388.00. I don't think it will be necessary to go into that further.

Q. That is comparable with what exhibit showing the same amount? A. Exhibit No. 7C. $424,388.00 is the net income. Now in the second column we have figured what would be the result if we maintained our present revenue, no further losses in revenue.

Q. Meaning by present revenue your revenue for 1927? A. Yes, if 1928 revenue would reach 1927 revenue. The only change otherwise we have made is in the question of operating expenses wherein we have added $130,000.00 for a wage increase which has already been contracted with the men, and $25,000.00 additional for power costs. That is an amount that our figures from the gas company show will probably be collected from us in the next year in addition to that collected this year. That still ignores the $30,000.00 difference between one hundred and one hundred and fifty which we feel there is some question about. That makes the result, the other figures being the same, the subtractions of course making the difference of a net income of $281,000.00 if we maintain the present revenue.

With a 1% decrease in revenue the net becomes $139,700.00; with a 2% decrease in revenue we get a loss instead of any net, we get a loss of $1,300.00; with a 3% decrease in revenue the loss becomes $142,800.00; with a 4% decrease in revenue the loss becomes $284,300.00; with a 5% decrease in revenue the loss becomes $425,300.00.

Q. Now all of those columns are figured on the basis of depreciation figured at the old rate of 5% on your gross, aren't they? A. They are, yes.

Q. Which you have already said is inadequate? A. I have, yes, sir.

Q. We will have more to say about it presently? A. Yes, sir.

Q. As your gross income shrinks is there any reason why your provision for depreciation should shrink at the same time? A. Under the 5% of revenue it does shrink.

Q. But does that correspond with facts? A. Not closely. If a 5% decrease would make a similar decrease serve over certain tracks, there would be some relation to that, but the question of obsolescence, the question of routing, the question of wear and tear, the question of paving, of other vehicles, isn't influenced, so that that to a slight extent would the decrease mean anything.

(The Chairman) Mr. Emmons, these figures are based, entirely are they not, on the estimated percentage of falling off in passengers.

(The Witness) Of passenger revenue, yes, sir.

(The Chairman) These figures in the red down here, they are not brought about by any increase in expenditures, are they?

(The Witness) No, nor by any decrease in expenditures. We have held that we should maintain what we are doing and we have kept our expenditures the same.

(Mr. Howard) You mean as compared with the first column?

(The Chairman) Yes.

(The Witness) Of course, there is the labor increase of the men, beginning on January first.

(The Chairman) And the power?

(The Witness) And the power.

(Commissioner Harper) Of course the decrease in revenue means, as you have just said, a decrease in the number of passengers carried.

(The Witness) Yes.

(Commissioner Harper) Why do you carry your operating expenses through all this decrease at the same amount?

(The Witness) Because we feel that we should main-

tain the service that we are giving and should give somewhat better service if we can.

(Mr. Clark) The same car miles?

(The Witness) Yes. You have been criticising service, Mr. Clark.

(Mr. Clark) Why is it then you are reducing car miles to meet two and a fraction per cent. in traffic?

(The Witness) We always have seasonal changes in car miles, and when we change them we always try to meet traffic conditions, but our result for September, our change in car miles did not, over September last year, help us in the question of operating expenses.

(Mr. Clark) You are saying now with a 5% decrease in revenue passengers, which would be passenger revenue, you would make no decrease in car miles.

(The Witness) I am figuring on maintaining the service that we maintained this year, and I am trying to overcome your point of objection to cutting service.

(Mr. Clark) Would you be justified you think in holding to the same car miles that are being run now if there was a 5% decrease in traffic?

(The Witness) It's a question of how it comes. If our service would show that we could make cuts and still give proper service we probably would, but I am holding at this time and in this figure that we would give the same service that we were giving in 1927 to overcome what you and some of the other people have been objecting to.

(Mr. Clark) I think you are right.

(The Witness) Yes.

(Mr. Clark) But I think you are wrong in——

(The Witness) We can't be right and wrong at the same time.

(The Chairman) Don't let us get into an argument.

Q. Mr. Emmons, is there anything further that you

want to explain about this Exhibit No. 22? A. I think not.

Q. The note at the foot gives the change in operating expenses, does it not? A. It does, yes, sir.

NOTE: The Commission then adjourned for the purpose of taking a short recess.

AFTER SHORT RECESS.

Q. Mr. Emmons, I want to revert again to the matter of bringing up to date or readjusting exhibits that were filed at the former hearing. When I passed over Exhibit No. 6 it was said that we had nothing bringing that up to date. I believe you have an exhibit which we will call Exhibit No. 6C which makes some light adjustment in that and which involves a thing which will be subject to another exhibit, that is, the bringing of your rate case up to date for successive years for things that have gone in and gone out, but have you this revised statement that I have called Exhibit No. 6C? A. Yes, I have.

NOTE: Statement above referred to is here filed in evidence and marked Exhibit No. 6C.

Q. I call it No. 6C because the original exhibit constituted two sheets numbered A and B.

Now the last column of that exhibit involves your rate base or valuation, don't they? A. The one column crosswise involves it.

Q. I am not asking you now to explain how your valuation is brought up to date or carried back in this table, because that would be subject matter of the next exhibit which you are going to file, but would you explain to the Commission with reference to old Exhibit No. 6 shows what this Exhibit 6C shows and wherein it differs and why it differs in any respects from the other one? A. Well, it's worked out practically on the same lines with some slight adjustments made in the different accounts.

Q. What was the general purpose of the whole exhibit? A. The general purpose of the whole exhibit was to show the rate of return from the years 1920 to 1926 inclusive on the basis of $77,000,000.00 valuation.

Q. I believe old Exhibit No. 6 has it on the basis with easements and without easements? A. Yes.

Q. This is on the basis of including easements though, isn't it? A. Yes, it is.

Q. Now, expain briefly to the Commission this table? A. The return received in 1920 was $4,246,845.10, or on the basis of $78,118,202 it was 5.436%. Now, perhaps I better explain $78,000,000. That is taken by the seventy-seven million as of January 1, 1924, and adjusted by book additions and book retirements from 1920 to 1923, inclusive, and then the mid-year point is taken which gives the figure $78,118,202.00.

Q. By taking the mid-year point, you mean you take the valuation as of the beginning of the year and as of the end of the year and average it? A. Yes.

Q. For instance, if the valuation for one year would have been $77,000.00 on January first and $79,000.00 on December first, you take $78,000.00 as the average for the year? A. Yes, that is right.

(Commissioner Harper) In these figures did you put easements in at seven million in all the years?

(The Witness) Yes, we have included the $77,000,000.-00 as the base as of January 1, 1924. Then in 1921, with that explanation, the return received is $3,762,163.00 on a rate base of $77,436,209.00 or 4.858%.

In 1922 the return received is $3,948,217.00 on a rate base of $76,067,420.00 or 5.19%.

In 1923 the return received is $4,083,627.00 on a rate base of $76,674,154.00 or 5.326%.

Now when we get in the years following January 1, 1924, instead of taking the book additions and book retirements we have taken the book additions and valuation requirements to bring that up to date, so that in 1924, with a return received of $4,124,580.00 with a rate base of $77,416,257.00 we have a rate of return received of 5.328%.

In 1925 with a return received of $4,279,060.00 on a rate base of $77,989,562.00 we have a rate of return of 5.487%.

In 1926 with a return received of $4,314,015.00 on a rate base of $78,075,940.00 we have a rate of return of 5.525%.

The rate of return read is the very last column and has been adjusted through the return received according to the supplementary exhibit No. 6 and has been adjusted by additions and subtractions which I believe Mr. Nodder has gone over. I am not sure that it has been entirely proved, but it has been presented to him. Have you taken those Mr. Nodder.

(Mr. Nodder) I have gone over them Mr. Emmons, but I have not finally decided they are correct. They are approximately correct.

(The Witness) Very little change at any rate.

Q. Now Mr. Emmons, directing your attention once again to the last three columns, 1924, 25 and 26, and the heading at the top of them, you remarked that was calculated by adjusting this $77,000,000 valuation to subsequent years by taking book additions and deducting valuation retirements? A. Yes.

Q. Suppose you had taken book additions and deducted retirements at cost or book retirements as was done in the former exhibit which method tends to increase the rate base and which method tends to lower it? A. This method tends to lower the rate base.

Q. So if I understand it right you have taken off everything that went out at its full valuation? A. That's right.

Q. Without any deduction whatever? A. That's right.

Q. In bringing your valuation up to date? A. Yes.

Q. The figure for 1926, the figure used as the rate base for 1926 in your former exhibit No. 6 was $79,545,400, and odd dollars. What is the corresponding figure that you have found here? A. $78,075,940.00, nearly a million and a half less.

Q. So you have docked your valuation about a million and a half dollars by that method that you have adopted by bringing it up to date? A. That's correct.

Q. Now the lower quarter or lower third of this exhibit No. 6C is entitled "Reconciliation of Return Received as Shown on Exhibit No. 6 with the present one." That gives the items wherein there is any difference between the two, doesn't it? A. Yes, that's the figures I was just speaking about and asked Mr. Nodder to check. He said he had gotten them but not checked them, but they look approximately correct.

Q. The figures had all been submitted to Mr. Nodder? A. Yes.

Q. And so far he finds it approximately correct? A. Yes.

Q. Nothing further you have to say on that exhibit? A. No.

Q. Who have you had especially working on this calculation by bringing your rate base up from January, 1924, the date as of which the Commission found your valuation, of bringing that valuation up to these subsequent years.

Q. Our Valuation Engineer, Mr. Bancroft Hill and our Assistant Auditor, Mr. Grafton.

Q. Have you a brief statement of the results arrived by Mr. Hill in his work? A. Yes, sir.

Q. What is it entitled? A. It is entitled, "Additions to and Retirements from the Valuation of January 1, 1924."

NOTE: Statement above referred to is her filed in evidence and marked Applicant's Exhibit No. 23.

Q. Now you have just stated that the method followed in this is to add the additions at their book value which is cost, isn't it? A. Yes.

Q. And to charge off from your valuation everything that went out at the full valuation basis? A. Yes.

Q. Of course that would be more than cost in most cases, wouldn't it? A. Original costs, yes.

Q. And of course your valuation suffers accordingly as you charge things off at more than cost? A. Well, the

valuation base I don't know particularly suffered. Its keeping it on the reproduction basis on which the valuation was made.

Q. But as compared with the book costs? A. The book costs, yes.

Q. Now, will you take this statement that has just been filed and explain to the Commission what it means? A. This statement shows a summary of the retirements in the years 1924, 25 and 26 under the various account numbers giving in detail the dollar cost of the retirements with the result that we find in 1924 there was $802,771.00 of property retired; in 1925 there was $1,085,565.00 worth of property retired, and in 1926 there was $969,950.00 worth of property retired, or a total of $2,858,286.00 worth of property retired in the three years.

(Mr. Clark) What figure do you use in presenting the retirements?

(The Witness) The valuation figures .

Q. So that much of valuation figures have come off the property of the company during that period? A. Yes.

(The Chairman) That is the valuation allowed by the Commission for these various items?

(The Witness) Yes, not our claim or not the People's Counsel claim, but the valuation allowed by the Commission.

The next column shows the value added during those years as taken from our books but not showing the details.

Q. By the way, in that next horizontal column has the correction been made in the second figure of $1,399,663.00, that ought to be instead of seventy-three? A. That's a typographical error.

Q. Its only ten dollars difference? A. Yes. The value added then in 1924 was $1,635,284.00; in 1925 was $1,339,663 and in 1926 $828,609.00 or a total value added in the three years 1924, '25 and '26 of $3,863,556.00. So the increase in valuation is the difference between the amount of value added of $3,863,556 and the amount of

retirement of $2,858,286, or $1,005,270.00 increase in valuation.

Q. Now, in the former statement that was filed at the former hearing where this was handled on a book basis the total increase was shown to be nearly two and a half million, was it not? A. Yes, it was a little over two and a half million.

Q. And the difference I understand is due to the method which you have now adopted of charging off everything that has gone out at its valuation, instead of at cost? A. That's right, and putting things on at their actual cost.

Q. There is a note at the foot of this exhibit which says, that's all values are without general overhead, that's right isn't it? A. That's right, yes.

Q. And the second line says retirements are at Public Service Commission values? A. Right.

Q. That means what you have just explained; that all items that have gone out you have charged at the valuation? A. That's right, yes.

Q. And all additions are at cost? A. At cost.

Q. Have you charged those retirements off at their depreciated valuation or at their undepreciated larger valuation? A. At their undepreciated larger valuation.

Q. All of that explains why your present exhibit brings your rate base for 1926 about a million and a half dollars lower than your former one did doesn't it? A. Yes, sir.

Q. Suppose you would explain this too, Mr. Emmons. The amount of these retirements are shown by this statement greater than those that are charged against your depreciation account during those three years? A. They will be because they are at valuation cost and the retirements against depreciation account are estimated original cost.

Q. So it is very much larger? A. Yes.

Q. Nothing further Mr. Emmons that you have at present to say about that statement? A. No, I think not.

Q. Now, Mr. Emmons you have already filed a statement showing what your net income would be if the present rate of fare continues for next year? A. Yes.

Q. The next thing is have you a statement showing what rate of net income would be of you got the increase to a ten cent fare that has been asked for? A. We have made an estimate to that extent, yes.

NOTE: Statement above referred to is here filed in evidence and marked Applicant's Exhibit No. 24.

Q. Now, the first thing Mr. Emmons I think to make clear is on just what fare is this estimate figured at? A. On a ten cent fare.

Q. On a ten cent adult fare? A. With a five cent school ticket, a five cent half fare instead of the present four cents and all county commutations raised on the same basis of the adult fare from seven and a half to ten cents or 33⅓%.That is figured on the first county commutation rate being changed from 4½ cents to six cents, second and third county zones being changed from five cents to seven cents and the Bethlehem Steel tickets being changed from five cents to seven cents.

Q. So the only thing unchanged in there would be the school ticket? A. That's right.

Q. Which remain at five cent. The adult ticket is raised to ten cents with no reduction? A. No.

Q. The half fare is raised one cent? A. Right.

Q. And the commutation rates are increased by the same ratio that the whole fare is? A. That's right.

Q. Now, that has two vertical columns in there, hasn't it? A. Yes.

Q. The first is present fare with no change in revenue. What does that mean? A. That is identical with the second column on Exhibit No. 22, being what the result in 1928 would be with no change in passenger revenue but including the increased expenses of wage and power, the net result being $281,000.00.

Q. So the first column ties on to that exhibit you filed just now? A. Exhibit No. 22.

Q. And is in fact a copy of that column from it? A. It is, yes, sir.

Q. So there is nothing new in that so far? Exhibit No. 22 was your estimate of the result next year with no change in fare? A. Right.

Q. And this starts with that estimate? A. Yes.

(Commissioner Harper) Then the proposed change would produce about 25% additional gross revenue?

(The Witness) Yes, that's right, on the basis that we figure the 5% loss through continuing loss of passengers, and possibly some loss due to the changed rate of fare. We have not attempted to make a division of that. I am not sure what it will be, but I think it will probably be 5%. I did testify before a possible loss of 2% due to the change in rate of fare.

Q. That was due to the change in fare alone? A. Yes, so that would leave a possible loss of 3%, continuing loss of business the way we have been going or less than we have been going this year.

Q. And in the columns and tables that were submitted by the People's Counsel last time or by the Engineer of the Commission what was the loss assumed there? A. The loss he assumed was 5% and he showed also a 10% loss.

Q. He assumed that as due to the raise in the fare, didn't he? A. Yes.

Q. So what you have assumed here is the 5% loss due in part to both causes, is that right? A. Yes. I did not say when we were going over the Exhibit No. 22, my personal opinion was that we would probably have a continual 3% loss during 1928 as against the business this year.

(Mr. Tingley) 3% under 1927.

(The Witness) 3% under 1927, yes. That would throw us in the deficit column to the extent of $143,800.00.

Q. Now, its the second column here then that contains

anything new as compared with the exhibit already filed, isn't it? A. That is right, yes.

Q. Will you explain to the Commission how you arrive at the results there shown? A. The first figure, Passenger Revenue, is obtained in the manner shown in the lower left hand corner. The first column shows the various classes of revenue, passengers for the year 1927, taking nine months as actual and three months estimated. The second and third columns show the present rates of fares and third columns show the present rates of fares in those classes and the proposed rates of fare and the last column shows the revenue at the proposed rates.

For instance the first county fare zone we have 2,318,269 revenue passengers estimated for the year 1927. It is proposed that the fare be increased from 4½ cents to 6 cents. The then new revenue for that first county fare zone would be $139,096.00.

In the second county fare zone the estimated revenue passengers for 1927 is 268,655 present rate of fare 5c, proposed rate 7c with a revenue at proposed rates of $18,806.00.

The third county fare zone 1927 revenue passengers estimated 44,979, present rate of fare 5c, proposed rate of fare 7c, with revenue at proposed rate of $3,148.00.

The Bethlehem Steel tickets estimated for 1927, 1,342,-368, proposed change in that case from 5c to 7c, with revenue at proposed rate of $93,966.00.

Total passengers in miscellaneous account, 7,992, passengers with revenue at proposed rates $292.00, that is from old householders tickets and such things that are gradually coming in.

The adult passengers who have paid the straight eight cent fare during the year 1927 are estimated at 7,354,512 passengers. The new rate will be ten cents, the revenue at proposed new rate will be $735,451.00.

The adult passengers estimated during the year 1927, paying 7½c fare is 196,392,128 passengers, who will pay ten cents under the new proposition with a total revenue at proposed rates of $19,639,213.00.

The half fare pasengers estimated for the year 1927, 8,079,263 present rate 4c, proposed rate 5c, estimated revenue at proposed rate $403,962.00.

The school passengers during the year 1927, 3,658,757, present rate 5c, proposed rate 5c, revenue at proposed rate, $182,938.00.

The total passengers for 1927 estimated 219,466,896 passengers at the proposed rates would be $21,216,872.-00, from that we have deducted the 5 per cent loss of $1,060,844.00, leaving a net passenger revenue of $20,-156,028.00, which we have called in that column $20,156,-000.

Q. That is the amount that's carried as the first item in the second column then of this table? A. Yes.

(The Chairman) You are figuring on your 5% loss of revenue by reason of a 5% decrease in passengers?

(The Witness) You would have to analyze all the passengers to allocate it, but we took the 5% loss. It would be approximately a 5% decrease in passengers.

Q. And that is figured to include any loss caused by an increase in the fare? A. Yes.

Q. And to any loss caused by a continuous nature of the present trouble? A. Yes.

Q. As compared with the whole year 1927?

(Commissioner Harper) From this table Mr. Emmons it would seem that the adult passengers paying the 8 cent fare don't amount to 4% of the number?

(The Witness) Our percentage is very small. I have some figures here if they are interesting to you, I think we are the highest in the percentage of token passengers of any city in the country. I think it's due to the fact that they buy them so reasonable. Fifteen cents is all they have to pay out. If it was four for thirty cents you would find the token passengers going down materially. In a good many places the percentage is down as low as 75 or 80%.

(Mr. Markell) It's easier to find fifteen cents in your pocket than eight cents.

(The Witness) Would you be interested in those figures, Senator? I can find them?

(Commissioner Harper) No, I don't want to break in on you now.

Q. Now then going down that second column there is no change in "Other Revenue."

A. No. We have assumed the same "Other Revenue."

Q. The total of course has the same change in it? A. The same change, being $20,391,000 as the total revenue.

Q. Now there is a change in operating expenses and that's explained by note A, is that right? A. Yes.

Q. Does that refer to the note on the lower half of the sheet? A. Yes. Now the operating expenses down to the 10,264,000 is the same as the operating expenses shown in the first column of this exhibit including the increased wages contracted for and additional power costs for the year 1928. We have added to that only an additional increase in wage of $130,000 in accordance with the promise we made the men that if we are in a position to give it to them that we would give them what they aimed for last year, a total of 55 cents. As I said here before it is our own personal ambition that as soon as we can our men ought to be raised at least to Wilmington's 56 cents and if possible to Washington's 58 cents.

(The Chairman) Of course there is no understanding of that?

(The Witness) No, the only promise has been made up to 55 cents. We have contracted only two 56 cents.

(Mr. Markell) 54 cents.

(The Witness) I mean 54 cents and promised up to 55 cents. They are getting 53 cents at the present time, but the contract provides that at the first of January they get the additional cent up to 54 cents.

Q. Now the next item in that right hand column is the item of Depreciation. A. Depreciation, yes.

Q. And there is no very substantial difference between

the amount of it as given in the first and the second. You are going to file a little later an exhibit on Depreciation? A. Yes, later we will.

Q. Can you explain generally what the difference is due to? A. The difference is due to the fact that we never have had sufficient depreciation. I think the members of the Commission, especially those that have been in all of the rate cases, will remember that in every rate case we had the question of meager depreciation allowances has been before them, and we had figured out through Mr. Bancroft Hill, who has very carefully figured it out, our property accounts and the needs for retirement reserves, and we have checked these in other places, and we feel that the $2,200,000 is the proper amount. That is about 4% of our depreciable property, which is a percentage held in many places and set up by many companies, and in——

(The Chairman) In many street railway companies? Do you know of many street railway companies that set up that amount?

(The Witness) Yes, Mr. Commissioner, I have here an analyses of Boston, Cleveland, Pittsburgh, Washington, St. Louis, Philadelphia and Chicago wherein I have had to put their maintenance and depreciation together, because as you remember in various cases it has always been shown that it is very hard to define the line between depreciation and maintenance. I think we have explained that our custom has been if we have a piece of work in one place that amounts to a thousand dollars or over we get an authorization for it and pay that out of depreciation. We may have an expenditure of over a thousand dollars, that is spotting in ties or spotting in poles or something like that that would go out of the maintenance account, but if we have a large renewal of special work or a large renewal of track or something like that, out of the depreciation reserve.

Q. In other words, the allowance for maintenance plus the allowance for depreciation is a much more satisfactory basis for comparison than taking that allowance alone? A. If you are comparing other cities. For instance Cleveland sets up nothing for depreciation. It

does all out of maintenance. So putting those together I find the average of maintenance and depreciation on a car mile basis, figured on the basis of Baltimore's car miles, would be $3,903,000. Baltimore's figures on the same basis are $2,645,000.

(Commissoner Purcell) What was the first city, Mr. Emmons?

(The Witness) The first city was Boston. Then Cleveland, Pittsburgh, Washington, St. Louis, Philadelphia and Chicago. For the year 1926 these figures are taken. It shows that Baltimore is short $1,258,000 of the amount of the average of these cities. Consequently adding that to the amount set up gives us about $2,100,000 as the figure comparable to what these other cities are doing in the two accounts.

Now we have another check that in asking for information the Washington Railways Company sent us a list of their account numbers with the percentages allowed by the Washington Commission, and in applying those percentages to the values of undepreciated depreciable property as given in the valuation gives a total under that basis of $2,150,000. 4% as I have said is taken very often as being about right, $2,220,000. We expect to bring men here from outside of the city who will go into this a little more fully after Mr. Hill has submitted his calculations, and I think you will find that he has made a very careful study of it.

(The Chairman) What I wanted to know was whether you knew of any city which took the percentage of the valuation as a basis for depreciation.

(The Witness) Yes, Washington takes a percentage of all the various items and quite a number of cities.

Q. The Commission means to take the valuation rather than the book cost as a basis for the depreciation allowance account. A. Yes, I think many of them do.

Q. Of course you can meet that by adjusting the rate to fit. You can take the books and allow a larger rate. A. By using that depreciation then gives a total operating expense and depreciation of $12,594,000.

Q. And you said there is more to be said later on on depreciation? A. Yes. Now I have also checked that total on the basis of allowances in other cities for percentage of gross revenue for maintenance and depreciation. A good many mortgages require a twenty per cent. allowance for those, and twenty per cent. of this estimated allowance for maintenance and depreciation plus the operating expenses gives $12,641,000, checking with the $12,594,000. Or taking another basis, taking the average of these eight companies that I referred to, and taking their total operating expenses per car mile as 37.34 cents per car mile, and applying it to Baltimore's car miles, would give $12,792,930, as against our $12,594,000.

The next item of Taxes is held the same. The next item of the park tax you will note was increased about $300,000.

Q. Of course that automatically increases with any increase in revenue? A. And the income tax, while we have none in the estimate of 1928 for the present revenue, we would have $355,000 under the proposed revenue. That makes a total of taxes of $2,247,500, or again about 11% of our gross passenger revenue which I think will still keep us in the forefront of the tax paying street railways of the United States.

Our operating income then becomes $5,549,500. Non-operating income we have kept the same as 1928 estimated figures which were the same as 1927, $171,000, giving a Gross Income of $5,720,500, our deduction being the same as in 1927, $3,445,000, gives a Net Income of $2,275,500.

To get the return figure there is an assessment made, as shown below, in which under Operating Expenses we add $13,207.00 which is interest on Bethlehem Steel Company construction and commission for paying coupon interest, and under taxes we deduct $3,786.00 being a tax refund on Sparrows Point bonds, and under non-operating income we deduct $133,000 in sundry items not properly includable in fair return, making a net fair return figure instead of $5,720,500 of $5,578,079.

Q. So in other words that partial or last column of all is entitled to adopt this exhibit for the basis of figuring the fair return on your valuation? A. That is so, yes.

Q. Without that last column the figure is your best estimate or statement of the net income for next year? A. On the basis of 5% loss on a ten cent fare.

Q. On the basis you keep your books? A. Yes.

Q. But these adjustments are necessary in order to arrive at a fair return, because you have to exclude non-operating income and exclude non-operating property, is that right? A. Yes, the assessments that are made in the other statements at the same time.

Q. So the figure $2,275,000 gives your estimated net income if you get these entire increases that are stated at the beginning of the schedule? A. On the basis of 5% passenger loss.

Q. Mr. Emmons, I believe that the only thing that you haven't gone into fully or in any detail is this matter of depreciation, and you say Mr. Hill will give the figures that he has prepared? A. Yes, I have gone over it with him and I think he has done a very wonderful and analytical piece of work, and I would prefer to have him give that.

(Mr. Howard) Mr. Emmons then is at the disposal of the other side.

NOTE: The Commission then adjourned for the purpose of taking a recess.

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AFTER RECESS.

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Thereupon—

**C. D. EMMONS,**

a witness of lawful age, produced on behalf of the applicant, having heretofore been duly sworn according to law and whose examination was suspended for the purpose of taking a recess, resumed the stand, was examined and testified as follows:

CROSS-EXAMINATION.

By Mr. Tingley:

Q. Mr. Emmons, you estimate that the decrease in passenger revenue for the first ten months of 1927 is at the rate of $2.80\%$?

(Mr. Howard) Are you referring to any particular exhibit?

(Mr. Tingley) I think it's Exhibit No. 1-A.

(The Witness) Yes. Exhibit No. 1-A shows for the first ten months 2.80.

Q. Do you estimate that the decrease in revenue for the total year 1927 will reach 3%? A. I think it will, yes, very close to 3%. We figure for the three months October, November and December 3.21. As I stated this morning, we are actually running over 3.21 at the present time.

Q. And you estimate that under present fares the amount of decreases for 1928 below 1927 might equal 5%? A. At the present fare?

Q. At the present fare. A. Oh, I said I thought possibly it would reach 3%.

Q. Didn't you file an exhibit showing 5, Mr. Emmons? A. For an increased fare, yes, I said 5, but on the basis of the present fare I said it would probably go 3%.

Q. So that the shortage in revenue for 1927 below 1926 will probably be 3% and 1928 will probably be 3% below 1927? A. That's continuous falling, yes.

Q. And under the ten cent fare the decline might run as high as 5% for 1928 below 1927. A. Yes sir.

Q. Now as I understand you the wage level of 54 cents has been contracted for? A. That is right.

Q. 55 cents has been promised in the event that an increase is secured in this case? A. In that case, yes.

Q. And 58 cents is the figure that you think should be made effective? A. I think the men should be put up to

58 cents as soon as we find our way clear to do it. I said first 56 cents to meet the Wilmington rate and eventually to 58 cents.

Q. Your power costs are steadily increasing? A. They have been, yes.

Q. Do you anticipate an increase in 1929 over 1928? A. That would depend entirely on whether or not we can keep Gould Street out of the 1929 picture. We had thought this; that 1928 would be considerably more than $25,000 more than 1927, but since my original statement, since that time I have assurances from the Gas Company that they will not include the capital charges of the Gould Street Plant in the 1928 set up.

Q. Are there any indications at all that the tide of automobile competition is being turned or is being stemmed? A. I think not. I think the second hand cars purchased by people working on the houses is largely the trouble. You go in any place where there is any construction going on today you will see that most of the workmen in that place have gone in some kind of a machine. A small house will have ten to fifteen machines in front of it.

Q. That's a tendency then that's on the increase rather than on the decrease, isn't it? A. I think so.

Q. So the industry, as you call it, is a standby service? A. No, I think it is still an essential service when 75% of the people are being hauled by the industry, but it's certainly very different from when we used to haul 100%.

Q. It's no longer being used for general transportation purposes? A. It is being used for general transportation services. I don't feel you can say when 75% of the people are using it it is merely a standby service, but for the other 25% it does become a standby service.

Q. But if the revenue and passengers were falling off at the rate of 5% a year wouldn't you infer that it was probably becoming a standby service? A. If it keeps on it will be but I think there will be some limit of it, Mr. Tingley.

Q. You don't think Mr. Markell was entirely accurate

when he called it a standby service in his opening statement? A. To these 25% of the people who we do not ordinarily transport it is to them a standby service. To the others it's an essential industry. They use it every day likely.

Q. Now in a situation of that sort where one type of service is being steadily superseded by another and is faced by mounting costs any permanency in rate levels is virtually impossible over any period of time? A. Excepting the hope that there will be some level reached some day.

Q. And unless that hope is justified the tendency would be toward constantly increasing rates, wouldn't it? A. Unless you get back to such a time when something happens to begin to get business back. I can't help but feel that the day must come when the making use of the city streets for an all day garage must be stopped. That will have some reaction in our favor, but as against that they are using machines now to go to their work in various places and you will find factories or a place lke Montgomery Wards, and a place like the Southern Can, just hordes of cars in front of them that the people have gone to work in.

Q. Now as the fares go higher and higher and more closely approach the cost of automobile operation, wouldn't the tendency be for a very large number of people to stop using the cars and start using the automobiles? A. If the fare reached what an automobile cost, but that's a long way off I think.

Q. But don't you think there is a difference in the convenience and character of an automobile and a car ride? A. There is no question about that, and that's the reason I feel if you cut your fare in half you wouldn't get your automobile rider back.

Q. So the automobile rider would tend to be a steadily increasing class in the next few years wouldn't he? A. It's quite possible.

Q. Now with a situation of that sort, where one kind of service is steadily cutting into another at the rate of 5% a year, and the industry is being faced by mounting

costs, how far do you think a commission is justified in going in imposing the entire cost of service on the remaining users of the service? A. Still cheaper than the remaining users using an automobile. A great deal cheaper.

Q. What would you think would be the limit beyond which the Commission would be justified in going? A. I think I said in the last case that if it looked like more than ten cents would be required then you would have to come to the matter of zoning.

Q. Ten cents seems to be the economic limit in the unit of fare? A. I don't think it's the economic limit. It's the limit I think that you ought to have for the short rider. When you get over that you have got to get in some kind of a zone so the long rider really does pay something more than the short rider.

Q. That's the value of the short ride then? A. Ten cents.

Q. When the Company is now asking for the amount which you consider is the ultimate value of the short ride, do you think it's good policy to contemplate further increases in wages? A. I think this. That our men are entitled, certainly entitled to what we have promised them. I think the men have been splendid in their cooperation with us, and I don't think any person would think the men should get anything less than the 55 cents.

Q. And that in spite of the fact that your revenues are falling off at the rate of 5% a year from year to year and that you are faced with an increase in burden of cost, and after you are now asking for a rate that you believe to be the value of the service? A. I don't know whether you realize this, but there is such a thing as paying these men an amount that will keep them with us, and there is a great deal in avoiding a turnover among the men. If we do not pay them enough the men quit, get other positions and we have to get new men to train. It makes bad service, it makes accidents more possible, and the more we can hold our men with us the better it is I think for all concerned for the public who are being carried by the men and the question of accidents and the question of ultimate low costs.

Q. How do you think that a situation of the sort that we are discussing of an industry with its revenues falling off at 5% a year and its costs steadily mounting, how do you think a situation of that sort should effect the rate of return that the Company should receive on its property? A. I don't see that it has anything to do with it.

Q. You don't think it has any bearing at all? A. I don't see any relationship.

Q. What return do you think this Company should be entitled to? A. I think 8%.

Q. And you think it should be granted a rate that will yield 8% regardless of the amount of revenue and revenue passengers and regardless of the increase in cost? A. In our estimates we are not asking for 8%, but we think we ought to work up to eight per cent.

NOTE: Previous question and answer here reread by reporter.

Q. Do you think that you ought to be permitted to earn 8% regardless of the amount of decrease in revenue passengers and regardless of the amount of increasing costs? A. There must be some stabilization there. Certainly I wouldn't think that we ought to be permitted to charge 25 or 50 cents to earn 8%.

Q. Where does the turning point come? A. Well, I said I think ten cents for an original fare at the present day is all we should charge for the original fare. Now if that doesn't make it it might be that the remaining ride will have to be zoned some way.

Q. Mr. Emmons you called my attention today to an error I made in my opening statement yesterday. I stated that Detroit under the 6 cent fare was earning 7½ per cent. on the value of its property. A. Duluth.

Q. Yes, Duluth. You called my attention to the fact that the flat rate of eight cents, the token fare seven cents, and that the Company is only earning 1.82 per cent. on the property. A. Yes.

Q. The 7½ per cent. was what the Commission allowed the Company in 1925 or determined that it was entitled to. A. But they are only earning 1.82.

Q. They are only earning 1.82%? A. Yes, but I understood you to say they were earning over 6%.

Q. I thought they were. I am very much gratified that they are not, because it fits in so beautifully in the case.

What street railway companies in cities comparable to Baltimore are earning an 8% return? A. I haven't any information as to that.

Q. Do you know which ones are earning a 7% return? A. I haven't looked that up.

Q. 6% return? A. I have made no study of the return in other cities.

Q. Isn't it true that they are all earning less than 6%? A. I think they are all in a very difficult situation.

Q. How would you account for that? A. I think that it's the same trouble the country over. It's the influx of the automobile taking away the business of the street railway.

Q. Don't you think that value of service has a very important effect on the rate of return being earned by street railway companies? A. I do not. I differe with you on that idea.

Q. Don't you differ with Mr. Hoyt, too? A. On the value of service?

Q. As to the effect of value of service on the rate of return in the case of a street railway company? A. No, I don't think that I do.

Q. Don't you know that Mr. Hoyt testified in Case No. 1915, in the Gas Company case, that he thought value of service in the case of a street railway company did exercise an influence? A. I know nothing about his testimony in the gas case.

Q. So you don't know of any cities charging the 10-cent basic fare that are earning an eight per cent. return? A. I know Boston is guaranteed a 6 per cent. return.

Q. On what? A. On an aggregate valuation.

Q. Which is based on its capitalization? A. Yes, it's on its capitalization.

Q. Did it earn it in 1926? A. I think it did.

Q. Paid about $400,000 out of the tax rate in 1926? A. I am not sure. I remember one year the tax rate paid something like over three or three and a half million dollars. I didn't know what last year was, but that isn't very far under a 6% return, however.

Q. Actually, of course, if a company is being subsidized out of the tax rate the fare is really more than ten cents, isn't it? A. To the extent of the subsidy, but $400,000 on the revenue passengers carried in Boston would be infinitesimal really.

Q. If you add in the valuation of the subway system there would you be surprised to learn that they only earn 4% on their valuation last year? A. Well, they pay a rental on the subway.

Q. Capitalizing that. A. I wouldn't be surprised that was so. The subway is extremely expensive.

Q. What interest rates are being paid by the company to the banks on its loans? A. About 5%.

Q. What interest rates were paid last year? A. All during the year.

Q. Yes, sir? A. We have been as low as 4½ to 5.

Q. Is there any reason for this company getting a higher return than that prevailing among other street railway companies? A. If the other street railway companies are not getting a fair return that's no reason why we should not get a fair return.

Q. But mustn't there be some reason for a condition of that sort prevailing throughout the entire industry over a long period of years? Mustn't there be some basic reason why that hasn't been rectified before? A. I think the only basic reason is that the street railways haven't for years gotten a fair amount for their services.

Q. Why not? A. Because they haven't gone and gotten it.

Q. The only reason that the street railway companies over the country are earning 6% or less as an industry is that the industry has been indifferent to getting what it's entitled to? A. I think the industries endeavored to get along on a lower rate of fare than they are entitled to.

Q. Isn't that a surprising thing to find in an entire industry when other utility companies are receiving as high as 8 or 10%? A. I think the industry has largely lived in hopes that they would come up to that. I think they are beginning to see today that they haven't any hopes. At the present time I think you will find, I think I have a record of it here, at the present time you will find 16 pages of fare cases pending, and since the first of the year there have been 38 changes in fare over the country.

Q. Isn't this surprising, Mr. Emmons? Isn't it surprising that if in 1925 the Minnesota Commission recognized the right of the Duluth Company to earn 7½% on its property it is only earning 1.42?. A. That's an unfortunate position for the Duluth Company.

Q. What would you say was the value of the street car ride in 1913, Mr. Emmons? A. I think I said in my previous testimony even at that time five cents was not sufficient to cover it, and the annual reports of our company at that time in many places called attention to the fact that with the expenses going up that five cents was not enough.

Q. Why was it that even before regulation the industry as a whole was so indifferent to its own welfare that it didn't ask for what it thought it was legally entitled to? A. I think they all lived on this hope of five per cent. increase in passengers finally bringing them out of the woods, and until 1920 we did make a 5% increase in passengers.

Q. But we don't live on hopes if we can get something more substantial do we? A. Often a public service corporation does for years.

Q. Even if there is no regulation except legislative regulation? A. Yes, I think that's true.

Q. 5 cents was the almost universal charge for the service in 1913, wasn't it? A. Yes, and against that I think ten cents probably will be very shortly.

Q. What leads you to think that? A. Because I think ten cents today is just as near the street railway figure as five cents was at that time.

Q. Wasn't the fact that five cents was the value of the service in 1913 indicated by the fact that in 1913, in the first fare case, the company only asked for part of its increased cost with which it was being faced during the War? A. I think the whole fare increases have been a mistake. I think the real mistake was when costs all double that the fare at that time wasn't increased immediately like the wages of people and everything else to a ten-cent fare at that time, then we wouldn't be having this difficulty of a property that has been struggling along and having to come in time after time for fare increases.

Q. Has the industry as a whole just awakened to the fact that its property has been confiscated for a period of 17 years? A. I think they largely awakened to that fact that they are not getting a fair return.

Q. What factors do you think fixed the rate in 1913 at 5 cents? A. Just the old contractual agreements with the cities all over the country. Five cents was supposed to be the standard street railway fare.

Q. What do you think was behind that? What do you think determined the value of the service originally at 5 cents? A. I think it's the convenience of the nickel and it seemed to cover it at that time.

Q. A dime or a quarter or a penny would be just as convenient, wouldn't it? A. But the penny wouldn't cover it. The dime would be just as convenient, but the cities wouldn't contract for it at that time and it wasn't required at that time.

Q. During the Civil War period the fare was increased to 6 cents wasn't it? A. That's beyond my memory.

Q. And then it was put back again to five cents, in fact even prior to a resumption to normal conditions?

(Mr. Howard) I think I remember when it was 6 or 7 cents.

(Mr. Tingley) 6, I think, Mr. Howard.

(The Witness) There is a quite a history along with that Mr. Tingley. If I remember the history of it it was five cents plus one for transfers, and you remember at those times a company did not give transfers from one to the other, and in a good many cases you had to pay five cents on one line and five cents on another, so that your ride at that time from one part of the city to another would cost you ten cents.

Q. What factors do you take into consideration in determining the present value of the street car ride? A. Well, it must cover its cost and a fair return on the property used to make it.

Q. And a fair return is 8 per cent.? A. Yes, I think it is.

Q. Even though the industry is not earning it? A. I think they should earn it.

Q. I think you testified in the emergency case that if free transportation were not issued to the employees that salaries would have to be increased? A. I said it might cause them to ask for an increase in salary.

Q. Would that indicate that the carfare pays an important part in the budget of a working man? A. I don't think particularly so. Our men pay nothing, but if they had to pay they would pay the full amount.

Q. Do you think that any increase in fares might necessitate wage increases in all industries? A. I don't think so, because generally the wages have more than doubled what they were before.

Q. That's true of the wages of street railway men, isn't it? A. More than double, yes, sir.

Q. Do you think that a new industry contemplating locating in Baltimore, and employing a large number of men would be attracted or repelled by the fact that carfares were higher than in comparable cities? A. I don't think it would be particularly by reason of a small in-

crease over other cities. It depends on what cities you are comparing it with.

Q. Mr. Emmons, in "Ask me another about the car-fare" issued in August, 1927, that pamphlet by the way was issued to acquaint the public with the company's need for a fare increase, wasn't it? A. Just to try to answer some questions that were being asked.

Q. Question No. 2. "What cities similar to Baltimore have a basic ten cent fare?" "A. Pittsburgh, Cincinnati, Boston, Chicago (Elevated Lines), Seattle, Washington, and Buffalo, New York."

You are not familiar with the rates of returns that are are being earned by those companies, are you? A. I am not.

Q. Do you consider traffic and operating conditions in all these cities comparable to those in Baltimore? A. Some of them are much easier. I don't know that any of them are worse.

Q. What does basic ten cent fare mean? A. It means ten cent cash fare, and some of those have a reduced rate for buying in quantities.

Q. All except Boston, haven't they? A. All except Boston, in that list, I think.

Q. In Seattle, Cincinnati and Buffalo are not transfers issued free to bus lines operated by the company? Aren't they? A. I do not know that.

Q. What is the basic fare of the Chicago surface lines? A. Seven cents, I believe.

(Mr. Clark) It was eight and they reduced it.

Q. Do you consider surface lines and elevated operation comparable to render Chicago elevated railroad basic fares of any significance in determining Baltimore surface line fare? A. No, I think the expense of operating elevated is more than operating surface lines. Chicago itself is quite different from Baltimore, and the number of people it has, the density of traffic.

Q. When was the basic ten cent fare made effective in

Pittsburgh? A. I am not sure I can tell, but it was several years ago. Yes, I can tell you that.

Q. It was some years ago, wasn't it? A. I can give you the date, if you wish. In Pittsburgh on August 1st, 1919, they went to ten cent flat fare, four for thirty cents, and on September 1, 1920, they changed the four for thirty cents to three for thirty-five cents. Then in 1924 they started the dollar and a half weekly pass, July 1, 1924.

Q. When did Cincinnati go to the ten cent basic fare? A. Cincinnati went to the ten cent fare with 9½ cents for tickets on July 1, 1924. Then they went to a flat ten cent fare on October 1, 1924, and they changed to a ten cent, three for a quarter on November 1, 1925.

Q. When did Boston go to the basic ten cent fare? A. A. On July 10, 1919.

Q. When did the Chicago elevated lines? A. I think I haven't that information here.

Q. How about Seattle? A. I have not that. I had a memorandum about Seattle, I might have that. It was prior to March 1, 1923, because on March 1, 1923, fares were reduced from ten cents cash, three for a quarter to five cents cash, two cents charge for transfer, and they tried this out for three and a half months, and went back again to the ten cent cash, three for a quarter, so it was about July, 1923.

Q. How about Buffalo? A. July this year went to ten cents, I think.

Q. Mr. Emmons, the fact that the greater number of these companies increased their fares to a ten cent basic fare a number of years ago, wouldn't give rise to any inference to increasing the fares to this point at this time? A. I don't see where there would be any conclusion drawn from that, because I said just now there were 38 fare changes since January 1, 1927. There are sixteen pending cases, and there were 12 changes to a ten cent rate this year.

Q. The increase to ten cents in Boston was made in July, 1919, wasn't it? A. Yes.

Q. You were then president of the Boston Company? A. I didn't rank as president. I was general manager.

Q. Pardon me. Wasn't the service at cost plan put into effect in Boston in July, 1918? A. It wasn't so much the service at cost. It was a State control under a board of five trustees which guaranteed a six per cent. return.

Q. Guaranteed a six per cent. return? A. Yes, sir.

(Mr. Howard) Guaranteed it? The cities and towns pay the deficit if there is any.

Q. That was in July, 1918, that they assumed control? A. I think that is right, yes.

Q. Then the fare was increased from five cents to seven cents one month after that, wasn't it? August 1, 1918? A. I will get that record. August 1, 1918, it was five cents to seven cents, yes.

Q. And on December 1, 1918, to eight cents? A. Right.

Q. To ten cents July 1, 1919? A. Right.

Q. Now the plan contemplated that the Company should get the cost of service, including interest on borrowed money, dividends on preferred stock, and on common at the rate of 5% for the first two years thereafter ranging up to 6 per cent., wasn't that it? A. I think that is it, yes.

Q. Not until September, 1919, did the Company earn the cost of the service, did it? A. No.

Q. And then from September, 1919, to February, 1920, it did earn the cost of service, didn't it? A. My recollection was the year 1919 as the year failed very largely to meet the cost of service, and that was the reason that in the summer of the year 1919 they went to the ten cent fare. I think even with that six months of ten cent fare, there was a very large deficit. I think in 1920 with the full year of ten cents it did get the cost of service.

Q. In February, 1920, there was a loss of $372,000 due to the expense of removing snow? A. I don't remember, I know there was a very bad snow storm last year.

Q. The cost of the first year of public operation ending July 30, 1919, was $4,480,000, wasn't it? A. I thought it was something over three million and a half. I guess that is probably right.

Q. And didn't all but a few hundred thousand dollars of that have to be made up out of the tax rate? A. Yes, the cities and towns paid the deficit.

Q. Is the Company now earning 6% of its valuation? A. You said it failed of $400,000 last year, I wasn't sure. I thought it was earning the 6%.

Q. The ten cent fare in Boston wouldn't seem to furnish any stronger argument for a ten cent fare in Baltimore than the five cent fare in New York furnishes for a five cent fare? A. I don't think so. I think it's a question here as to the problem we have before us right at this point.

Q. With what company were you connected prior to becoming connected with the Boston Company, Mr. Emmons? A. I was vice-president and general manager of the Boston Worcester Street Railway, and that was an interurban double track line.

Q. When did you become connected with that company? A. August 1, 1916.

Q. Was there any fare increase during your incumbency? A. I think there were several of them.

Q. You came to Baltimore one month after the increase to the ten cent fare in Boston, didn't you? A. Yes.

Q. In the 1919 Baltimore case, the first Baltimore case, didn't the company, thru Mr. Zimmerman, ask for a basic ten cent fare? A. I don't remember. I didn't come into the so-called six and a half cent case.

Q. You believe that a ten cent straight fare is the logical fare for street railway operations? A. I think it's the necessary fare.

Q. Is there such a thing as a logical fare regardless of the circumstances of the company? Applicable to all companies, I mean? A. I am not quite sure as to answer to

that. I think as I said before many companies are getting less than they should have at the present time, and I think the day is not far distant when a ten cent fare will be just as common as the five cent fare used to be.

Q. Coming to question No. 3 of "Ask Me Another About the Carfare," "What other cities only slightly smaller than Baltimore have a basic ten cent fare? A. Albany and Syracuse in New York, Salt Lake City, Utah; Springfield, Ill.; Portland, Me.; Worcester and Springfield, Mass.; Des Moines, Ia.; Omaha, Neb.; Toledo, Ohio; Fort Worth, Texas, and Knoxville, Tenn." You don't know what returns those companies are earning, do you? A. I do not.

Q. How would you say they compare in population to Baltimore? A. Well, they are lower as the statement says.

Q. How much lower would you say the average was? A. I am not sure of that. If you will read them out, I will read the population to you Mr. Tingley.

Q. Albany? A. 113,000.

Q. Syracuse? A. 171,000.

Q. Salt Lake City? A. 118,000.

Q. Springfield, Ill.? A. There are 1920 population, Springfield, Ill., 59,000.

Q. Portland, Me.? A. 69,000.

Q. Worcester, Mass.? A. About 180,000.

Q. Springfield, Mass.? A. About 130,000.

Q. Des Moines? A. Des Moines, Ia., 127,000.

Q. Omaha? A. Omaha, 192,000.

Q. Toledo? A. Toledo, 243,000.

Q. Fort Worth? A. Fort Worth, 160,000.

Q. Knoxville? A. Knoxville, 78,000.

Q. It's hard to call those cities only slightly smaller

than Baltimore, isn't it? A. That might be a little misuse of the word slightly.

Q. How many of them sell tokens at reduced rates? A. I will have to find that.

Q. Would you say most of them did? A. I think most of them do.

Q. How many of them have the weekly pass? Would you say most of them did? A. No, I wouldn't say most of them have.

Q. How many would you say? A. That would be a guess. I don't know.

Q. Question No. 4: "How many cities in the country with more than 25,000 population have a basic ten cent fare? A. 114 cities." How many of those cities would you say have a population of 100,000 or more? A. I haven't analyzed it.

Q. Most of them have the provision for the sale of tickets or tokens at reduced rates, haven't they? A. A great many of them have, yes. There are only 21 I think we gave of purely 10 cent cities.

Q. Aren't the only flat ten cent rate cities in the country, the following: Joliet, Oak Park and Cicero, Ill.; Bangor and Lewiston, Me.; Boston, Worcester, New Bedford, Cambridge, Sommerville, Malden, Newton, Medford, Brookline, Everett, Waltham and Attleboro, Mass.; Newport and Woodsocket, R. I., and Columbia, S. C.? A. That sounds like the list, I think it is right.

Q. What would you say was the population of the largest of those cities? A. Boston is the largest, of course.

Q. Leaving Boston out? A. I will give you the population if you read the cities.

Q. That's a long list, what would you say was the highest? A. Well, I don't know, some of them are considerably over 100,000. Worcester, for instance, is pretty close to 200,000 and Cambridge, Mass., is 100,000.

Q. Most of them are less than 50,000, aren't they? A.

No, I don't think most of them are less than 50,000, no. I think most of them are more than 50,000.

(Mr. Howard) By the way, all of those population figures are from what census?

(The Witness) 1920.

Q. Are any of those cities suburbs of or located near Chicago? A. Yes, those first three cities, I think are, yes.

Q. Which ones are located at or near Boston, and served by the company that serves Boston? A. Malden and Cambridge and Somerville, I think those three names you gave.

Q. I think this was an inadvertence, but early after the petition was filed there was a statement in the papers that the United Railways had stated that Cumberland was the only city in Maryland with a ten cent fare. What is the fare in Cumberland? A. Mr. Swaine thinks it's ten cents. I am not sure.

Q. It's ten cents for the first zone outside of the city, but it's seven cents inside. It's an interurban line? A. That may be right.

Q. Do you recall that in its opinion in case 1682, the United Railways Case, the Commission said: "The fact that considerably more than 100 cities thruout the country have a base fare of ten cents, is no reason why Baltimore should have a ten cent fare, any more than that these cities should have the rates prevailing here"? A. That may be a good reason. That doesn't determine it, of course.

Q. As a matter of fact every city presents peculiar problems of its own, doesn't it? A. They do, yes.

Q. And they render it insusceptible of comparison to others? A. To a large extent.

Q. And there are lots of cities that have a base fare lower than here? A. Yes, and most of the cities in trouble, too.

Q. Well, we have trouble here apparently. Does the

United Railways here head the list of eight principle cities in efficiency and economy of operation? A. I didn't think we put it that way, but we had a report an exhibit which showed the comparison of our operation with the operation of other cities.

Q. If that is a fact why should it be necesasry for the Company to virtually lead the industry in the amount of fare charged? A. Well the difference is so little that it doesn't make up the amount we need for our own purposes.

Q. Were you correctly quoted in saying that a repeal of the park tax would obviate the necessity of a ten cent fare? A. No, I was not.

Q. You were quoted to that effect? A. I said it would help. I was so quoted, but I never said it would obviate the necessity of an increased fare.

Q. How much does the Park Tax amount to under the present fare? A. About $1,150,000, something like that.

Q. How much does it amount to on the fare? A. .7% of the fare.

Q. And in terms of cents? A. That would be something over half a cent.

Q. Would that indicate that an eight cent fare would tide the company over the present situation? A. It would not.

Q. In a time of emergency, or alleged emergency, any increase granted ought to be as small as possible? A. The emergency is over, we are here now for a real case.

Q. The emergency is over? A. No, the emergency isn't over, the emergency case is over and we have had to go two months without relief, so this isn't emergency now, this is real facts.

Q. I think Mr. Tompkins stated in a statement issued October 20th, that the Company wanted a ten cent fare so that it could increase its schedules 10%. Is that correct? A. We said we would like to increase our schedules 10%. There are a lot of things we would like to do.

I said in my own testimony that I felt real good service ought to have not less than ten minute headways on the lines, but we haven't the money to do it, some of them are 12; some of them 15.

Q. Would the remote possibility of getting a 10% increase in schedules be the only benefit the public would get out of a fare of ten cents? A. We haven't had a rate case yet, but that everything we got has been taken away from us. We want to give the very best service we can with the money we have. I have been blamed for making promises I haven't carried out. I don't know of any promise I have made that I haven't carried out. If I had the means to carry it out, and at the present time, we are not asking for something to do something with that we have got to spend the money again.

Q. It was stated at the time of the skip-stop case that as soon as the decision was handed down the Company contemplated doubling the number of stops which had been eliminated. Does the Company still have that plan in mind? A. Doubling the number that have been eliminated? At the present time, we have not.

Q. It was stated at that time that that would be consistent with good service. Do you think that would be now? A. I think evidently it would be. It increases the speed of the cars and helps to give better service.

Q. Do you intend to make that effective during 1928? A. We haven't made any plans about it at all, Mr. Tingley.

Q. You estimated I believe that the economy from skip stop operation would be $130,000, didn't you? A. No, I don't think it was that much.

Q. I didn't think it was that much, but I think it was stated at that, Mr. Emmons? A. No, just a minute.

Q. I think we have those original sheets that you are looking for, Mr. Emmons? A. How did you get them out of my book?

Q. If they were in the book, we haven't got them? A. I think I have another set in my book. You are right, it is finally figured at $137,000.

Q. And if the number of stop eliminations were doubled, would a similar amount of economy result from that? A. I doubt that very much. That a simliar amount would.

Q. What do you think the extent of the economy would be? A. That would be a guess.

Q. What would you guess? A. I don't know, it might be half of this.

Q. Mr. Emmons, returning to Exhibit No. 1A, in 1928 forecast in the emergency case the rate of decreased passenger revenue was estimated at four per cent., wasn't it? A. I think so, yes.

Q. The actual decline for the first seven months of this year, October estimated has been 2.80%, hasn't it? A. That's right.

Q. And September and October estimated showed 3.21%? A. That's right.

Q. November and December would have to show a 4% decline to make the decline for the year 3%, wouldn't it? A. We have gone 3.7 for October to date, instead of 3.21, so that would be a little less than 4% likely.

Q. Won't the average decrease for the year in all probability be less than 3%? A. I fear it will not. I wish it were so.

Q. If that were the case, or if the Commission should believe that it would be the case, wouldn't the Company's exhibits on the effect of the ten cent fare for 1928 have to be revised? A. No, I don't think it would. I think we will still have about a 5% loss.

Q. Wouldn't you say that the indications are that the situation is improving as against May, June and July? A. No, not a bit.

Q. Wouldn't you say that May, June and July merely represented an accentuated seasonal decline that was experienced by all business? A. I think not, no, because the four months generally are not and we are not coming back.

Q. Taking Exhibit 3-A for just a minute and keeping Number 1-A also before you? A. Yes.

Q. The decrease shown there is 3.33 which you explained this morning by stating that it included chartered cars? A. It does, yes.

Q. Now if business continues at that rate, and allowances made for the fact that the last day of the month this year is Monday, as against Sunday last year, won't the result be 3.11% instead of 3.33 for the month? A. No, I don't think so, not if we keep on going forward like we have the last few days. For instance yesterday, which isn't on here, were went back 4.9%. The day before that we went back 4.8%. The day before that 4.9%. We are running pretty near to 5% back.

Q. What was it the day before that? A. That's the time I want to quit, but that was 3%. Now don't go one further because we had an increase. That was last Sunday.

Q. Turning to Ex. No. 2-A, doesn't the fact that passengers decreased 2.15% and revenue 2.80% indicate that the reduced fare riders are increasing? A. No. It indicates that the high fare riders are decreasing. It's the converse of that.

Q. And no decrease in the lower fare schedules? A. I think that simply shows that the decrease is in the man that rides the automobile. He is the one we are losing.

Q. Now July showed 4.20%, didn't it, decline? A. Yes.

Q. And August 2.8 decline? A. Yes.

Q. And September 2.72? A. Yes.

Q. Wouldn't that show a progressive rate of improvement? A. No, October shows 2.91. It's going the other way now.

Q. That's an estimated figure for October? A. Yes, but you notice how closely our approximation and the estimates were in these corrected figures. What I mean is we figured August approximately——

Q. I understood what you meant, Mr. Emmons. A. All right then.

Q. Taking Ex. No. 3-A? A. Yes. Which one, September or October?

Q. I only want to ask you one question that doesn't refer particularly to either sheet. As I understand it only 560 additional cars were operated during the time that the Fair of the Iron Horse was going on? A. I said we sent 560 special cars to Camden Station. Now that doesn't mean that that is all that was operated. I don't know how many was operated. But we had that particular amount of extra service to Camden Station.

Q. How many people would those cars handle? A. You mean standing up, 50% overloaded or seated or what?

Q. In compliance with the regulations of the Commission? A. We might average 60 to 65.

Q. And how many would you say would be the total number that would be carried by that fleet of cars? A. Well, at 60 that would be somewhere around 60 to 70 thousand people.

Q. And most of those people if they hadn't ridden out to the Fair of the Iron Horse would have ridden to work? A. Possibly that might be the reason why the Iron Horse did not help.

(Mr. Howard) They didn't spend all day at the Iron Horse, Mr. Tingley?

(Mr. Tingley) I did.

(The Witness) A lot of people went to work first and went to the Iron Horse in the afternoon. It was well worth seeing, however.

Q. I beat the System by going on Columbus day. Now turning to Ex. No. 6b. A. Yes.

Q. Doesn't that show an increasing rate of return from 1921 to date?

(Mr. Howard) That was the one filed later?

(Mr. Tingley) Yes, it was not filed in order, Mr. Emmons.

NOTE: Question here reread by reporter.

A. Well, if the slight increases from 4.858 to 5.19, 5.326, 5.328, 5.487, 5.525,—yes, it does show a slight change.

Q. Doesn't it show increasing revenues from 1922 to date? A. Slightly, yes. Very slightly but 1927 will now show that.

Q. We want to count all of them. Now turning to Ex. No. 7-C, haven't maintenance costs been cut recently? A. No, our budgets have been running about as they have heretofore.

Q. Weren't 70 maintenance of way men dropped during October? A. That's seasonal. We drop maintenance of way when work runs out and then we pick them up again. I didn't know they had been dropped. It's probably so.

Q. What has been the total maintenance cut during the month of October?

(Mr. Howard) As compared with what?

(Mr. Tingley) The previous month of the same year?

(The Witness) Our October figures are not complete, Mr. Tingley, I couldn't tell you.

Q. Can you approximate it, Mr. Emmons? A. Not without my budget sheet here, and I haven't got it. What happened in the maintenance of way, it's actual expenditures in September were $65,426.00; in August were $64,488. In the summer time it was higher. As I say that's a seasonal thing. In July it was $72,482. In June it was $77,066. Now if we look at the years prior I think you will find that there is not any particular change in them.

Q. Hasn't there been a cut in service since June of this year? A. We have made some changes, seasonal changes to meet the conditions, yes.

Q. Has the cut in service been greater than the reduction in revenue passengers carried? A. At times, I think it is. When we have a condition to meet that might make it that way.

Q. Haven't other economies been put into effect this year? A. In what form?

Q. In any form? A. Well, we have been trying to economize in keeping after our power records. In our lubrication of cars, looking after the dragging of brake-shoes and all that kind of thing. We are always trying to keep our expenses down.

Q. Wouldn't those factors indicate a greater reduction in operating expenses for the last three months of the year? A. No, because we were doing that same thing last year at the same three months. It is just about a year ago that we intensively got into this.

Q. A good many of your economy methods weren't in force during the entire nine months of this year, were they? A. Yes, this year they were, but the first part of last year, part of the nine months of last year they were dropped.

Q. Were most of them in force during the entire first nine months of this year? A. I think the question of power saving, with the exception of the work the shops had to do to relubricate the cars and readjust the brake shoes, which started last fall, I don't think it was entirely completed the first of this year, but I think it was largely during the first part of the year.

Q. In view of the curtailment of service to meet the curtailment in the number of revenue passengers, how do you account for the fact that no actual saving in operating expenses has been experienced? A. We just about absorbed the 2% increase in wages given to the employees.

Q. Turning to Ex. No. 8 for a moment, Mr. Emmons. A. Yes.

Q. That amount of $1,182,000 was the Company's own estimate originally, wasn't it, Mr. Emmons? A. No, I

thought it was the Commission's estimate, I have forgotten really what it is.

Q. At all events, it wasn't an amount that was guaranteed by the Commission to the Company, was it? A. No, nor felt by the Company to have been sufficient.

Q. It was an amount that the Company should earn if it could earn it at a reasonable rate of fare? A. No, I think the Commission felt we should earn a million and a half, if we could earn it.

Q. Turn to Exhibit No. 22, Mr. Emmons? A. Yes.

Q. What was the purpose in not showing the effect of increased revenues in 1928 over 1927 as well as decreased revenues? A. Because it was an absolute forlorn hope. We haven't any idea of any possibility of an increase.

Q. Can you say the same thing about 1929? A. That's too far away.

Q. Upon what do you base your assumption that 1928 will not be a better year than 1927? A. This is true that we are having continual and continuing decreases thru the growing use of automobiles. I am afraid that when Ford gets his factory going of a thousand cars a day, it will get worse. We have a slight business depression that will not get better until after the Presidential campaign. So I can't see anything but a continual loss in the year 1928.

Q. Is it true that the situation is getting worse or hasn't the rate of decline improved since the summer months? A. I don't think it has. When you are going 4.9% back now that's not showing any better.

Q. But you are not for the month, are you? A. Not for the month, but that's the trend now for the last four days.

(Commissioner Harper) Doesn't Ex. 2-A show that after a bad year there is an improvement? If there is anything in the past history?

(The Witness) You mean from 1920 to '21? That was absolutely business depression, Senator. At that time the automobile hadn't come into the picture the way it

has, but at the present time it's the automobile rather than business depression in my judgment.

(Commissioner Harper) The same thing happened 1924 to '25.

(The Witness) That was a very slight fluctuation. I am sorry I have to be a pessimist. It isn't my nature.

Q. In previous cases, before the Commission, have you been pessimistic, as to forecasts of the coming years, Mr. Emmons? A. I don't think so. I think we have been rather optimistic.

Q. Why is it that there is something about 1928 that distinguishes it from any other year that you have ever known? A. Because the automobile has come into the picture so very seriously.

Q. More in 1927? A. I think more in this year than any year in our history.

Q. And you don't see any indication in the turning point being reached? A. I do not.

Q. And you don't think the immediate future will show a turn in that? A. I do not.

Q. And you think that the rate of decline will continue at the rate of 5% a year? A. I said 3% and I have added 2% for possible additional loss on account of the increased rate of fare.

Q. Mr. Emmons what has been the total increase in salary paid to officers during the last year? A. I think it was very little. There has no change been made in the officers pay roll during the last year. I really think there is none Mr. Tingley that I can remember.

Q. That's from January 1, 1926, to date? A. I think we have had an added office since that time.

Q. What has the total amount been of all increases? I don't want it individually? A. I think I have the figure that will show you what you have asked me. The individual amounts have not been changed, I can tell you that. If there is any change it's due to added officers.

Q. What was the last general increase in the salaries

of officers? A. I think it was two years ago last April. Last April there was no change.

Q. In view of the desperate situation that is indicated by this exhibit, has any reduction in salaries or wages been discussed or contemplated? A. No, there have not.

Q. When the revenues of a utility begin to fall off at the rate of 4 or 5% a year, is it an indication that its service is being superseded by another service? A. I think it is quite evident that it is being superseded by the private automboile.

Q. And in a situation of that kind, you think that the remaining customers of the service ought to be saddled with the entire cost until it comes to a point when they can pay it? A. No, I don't think that's the way to put it.

Q. How would you put it? A. I would simply put it this way. They are getting for even the rate for which we are suggesting a much cheaper rate in service than they can get by providing their own private vehicle; that if they can afford to have their private vehicle, then they will not object to paying the ten cent fare. If this amount suggested does not cover it, then as I said before, we have got to find some other means of zoning or otherwise so that the long rider pay a greater proportion than the short rider.

Q. Wouldn't the present trend indicate that most of the riders, the revenue passengers that you would lose would be short riders? A. I do not think so. That's the reason I purposely went into the long and short riders this morning. It wasn't the question before us, but I am quite clear in my mind that it isn't particularly the short riders, but it's just because the short rider percentage looks higher than the long rider percentage, due to the fact that the long rider population has increased.

Q. If that were true however, the Park Tax estimate would have to be revised, wouldn't it? A. The Park Tax percentage has been changed. Has been changing downward.

Q. In this exhibit I mean, Mr. Emmons? A. It has

been changing some. I don't know that it might be a little bit less, but not much, it's immaterial.

Q. What is covered by the item deductions? A. Fixed charges.

Q. Does the fact that no increase in deductions is estimated indicate that no additional funds will be required by the Company in 1928? A. We do not expect to have it. We haven't figured on having it.

Q. Why is an additional power cost of $25,000 estimated? A. That's due to the fact that some additional expenses on the part of the Gas & Electric Company will have to be borne by our corporation.

Q. Has that been actually determined? A. Practically so. No, it can't be determined finally until the year is over, but we are exceedingly fortunate Mr. Tingley that we are relieved from taking our proportion of fixed charges on the Gould Street plant. We really expected that would cost us a couple hundred thousand dollars.

Q. Won't that result in an increased power cost of $145,000 over 1926? A. Yes. The Gas Company figure shows 175. We are hoping to save 36 thousand of it.

Q. How do you reconcile 12% increase in power cost with reduced car mileage and alleged economies in operation? A. Reduced car mileage really increases our kilowatt rate.

Q. How? A. Because we have a certain cost proportioned to us, that has to be divided by the kilowatts we use. The more kilowatts we have while it reduces it in one way it increases in another.

Q. But if you are cutting down scervice of course you are not using as much power? A. No, you do not, but as I say the Gas Company has a certain fixed charge. Now the more power, kilowatts they produce, the less the cost per kilowatt hour is, because they do not add additional men in the power house. They put a little more coal in. The fixed charge is the same, and outside of the use of coal the costs are about the same, so when you increase your kilowatt hours you decrease your cost

per kilowatt hour, but if your kilowatt hours decrease it reversely increases your cost per kilowatt hours.

Q. With decreased car mileage isn't a wage saving affected? A. To some extent, yes.

Q. And that partly offsets a wage increase? A. It has this year, yes. That's one statement I made a while ago.

Q. Doesn't decreased mileage mean decreased power costs? A. Well I just explained decreased mileage might be less kilowatt hours used, and might increase the cost per kilowatt.

(The Chairman) But the total, Mr. Emmons?

(The Witness) The total might be less.

Q. Help decrease maintenance, doesn't it? A. To some extent, not much.

Q. It ought to decrease accident cost, doesn't it? A. Unfortunately the accident cost has gone up to such an extent that I can't see any decrease in that.

Q. What do you think accounts for it? A. Our accident for 10,000 miles are runing just about as they have. The great number of automobiles, however, is causing a tendency to more accidents, and the jury verdicts have been heavier than they have before.

Q. Why? A. Because of the cost of living, I think.

Q. You don't think it's at all due to the unpopularity of the Company's application for increased fare? A. I don't think so, because that began before we made an application for increased fare.

Q. You don't think that the increased number of accidents is caused by the skip-stop plan of operation? A. No, our rate of accidents has increased almost nothing. I will give you the figures per 10,000 car miles from 1919 to date.

In 1919, we had 4.4 accidents for 10,000 car miles; 1920, 3.6; 1921, 3.1; 1922, we reached our minimum in this list 2.8; 1923, was 2.9; 1924, it held the same, 2.9; 1925, 2.9; 1926, 3.2; 1927, 3, so I think we are holding very well in

spite of the increased number of automobiles we have to contend with. That has a tendency to make our accident ratio run up.

Q. Turning to Exhibit No. 24? A. Yes.

Q. Exhibit No. 2-A, estimated passenger decrease for the first ten months of the year at 2.51% doesn't it? A. I think that's right, yes, without looking over it.

Q. Dosen't the estimate in this exhibit amount to 2.57%? That's the ratio of the 219 million to the 255 million? A. I would have to check that up. They are presumed to tally.

Q. They ought to tally, oughtn't they? A. They ought to tally.

Q. That's $5,578,000 would be equivalent to a 7.1% return, wouldn't it Mr. Emmons? A. On $78,100,000?

Q. Yes, sir? A. It's about 7%.

Q. A little over that? A. A little over 7%.

Q. The $2,200,000 estimated for depreciation was arrived at by applying a percentage which was found by Mr. Hill to the reproduction cost of depreciable property, wasn't it? A. No, this percentage—Mr. Hill will testify in detail as to the depreciation item. I have, however, gone over it with Mr. Hill and feel his work has been very well worked out, and I have checked myself with depreciation items of other places, so that I feel this $2,200,000 is a correct figure.

Q. You think it would be best to cross-examine Mr. Hill rather than you on this question? A. For the detail it might, for the general purposes no.

Q. Isn't the allowance of $10,394,000 for operating expenses built up on 1927 costs, with adjustments for presumed additional power and accidents and wage costs? A. It is, yes.

Q. Wouldn't that indicate that no provision has been made for additional service in 1928? A. Well, that's contrary to Mr. Clark's question a while ago. If we are figuring the 5% decrease, why shouldn't we figure a 5% decrease in operating expenses? It would give more ser-

vice to the people than we are giving to the system by holding our present expenses, but this we do find, we just recently had a cordon count which we have every fall and we find that our evening peak is still going—our normal hours are falling off, so the difficulty of giving service even now in the evening peak we require more cars even with a less number of total passengers per day, we require more cars to meet the Commission's standard than we did before. The total passengers for the day are falling off, the peak load in the evening has come up.

Q. Mr. Emmons, I am going to ask you if you will furnish me with a list of the dates when the various economies listed in the schedule of economies were made effective? A. I can do that.

(Mr. Tingley) Thank you. That's all.

NOTE: The Commission then adjourned for the purpose of taking a short recess.

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AFTER SHORT RECESS.

CROSS-EXAMINATION (CONT'D.)

By Mr. Clark:

Q. Mr. Emmons, I think you said that it was only a question of time when ten cents would be just as popular in general as the five-cent fare? A. I didn't say popular, Mr. Clark. I wish I could.

Q. Just as common and general? A. Yes, that's right.

Q. How long have you thought that? A. Well, I should say I have been thinking that for the last couple of years. We are coming to it.

Q. Did you think that at the time you left Boston? A. No, I can't say that I brought a ten cent complex down here from Boston, as I have been accused.

Q. Then this opinion of yours just now doesn't mean that you are possessed of that complex? A. No, it does

not. I am sorry that the thing is here, but it is Mr. Clark.

Q. Why do you think that the ten cent fare will be just as general as the five cent fare once was? A. Because I think it is going to be necessary to maintain the street railway operation in the various cities. I think all companies are going to have the return that the ten cent fare will give in order to get capital that will keep up with conditions, and in order to pay the expenses they will have to pay.

Q. What outside of increased costs of construction and operation would bring about that result? What outside of the increased cost of construction and the increased cost of operation would cause you to form that conclusion, that all fares will eventually be ten cents? A. We need it now and I think other companies need it now, but they simply have gotten to the point of getting it.

Q. Is that your own belief for that conclusion? A. I think that's the reason, because they need it and have to have it.

(Mr. Toole) They want it.

(The Witness) It isn't a matter of wanting it, they need it, Mr. Toole.

Q. It isn't a mater of any extraordinary change in economic conditions? A. Not any extraordinary change. I think we are not thru with the decline of revenue due to the automobile.

Q. We will come to that automobile after a while. We won't forget it. Why do you think that the operators of our electric railways are going to go out for the ten cent fare and make it general in the future, when they haven't done it in the past ten years? A. Because I think they are all being affected the way we are.

Q. Have you an organization? A. What kind do you mean?

Q. There is an electric railway association, isn't it? A. The railway industry has an organization called the American Electric Association.

Q. And the United is a member of that organization? A. We are.

Q. And you have representatives attending the meeting of that organization? A. We do.

Q. And you discuss these subjects in the meetings of that organization? A. We do.

Q. When did you have your last meeting? A. In Cleveland, in October.

Q. Was it discussed at that time? A. Was what discussed?

Q. Was the effort to go out for a return similar to the return of the Gas and Electric lines, for example of a ten cent fare discussed? A. I wasn't at the meeting. Unfortunately, I couldn't go.

Q. Who did go representing your organization? A. Several of our representatives. Mr. Samuel Emmons, Mr. Wennagle, General Superintendent of Power, Mr. Wysor, Chief Engineer, and Mr. A. T. Clark, Superintendent of equipment.

Q. Do they report to you the proceedings when they return? A. We have a meeting after they returned so that every member of our staff could get from them everything they got at the convention, that would be of advantage to the Company.

Q. Did they report that the matter of increased fares was discussed at that meeting? A. They did not.

Q. You mean they did not report the discussion of increased fares? A. No, now you see they would go to sectional meetings and might not be at a meeting at which that was discussed if it was. I don't know that it was. You understand, Mr. Clark, there is what you call the Parent Association, the American Electric Railway Association. Then they have a Transportation and Traffic Association, and they have an engineering association, they have a claim association, they have an accountant's association, and these different men go to these different associations, and sometimes when there is something going on at one there is something going on at another,

so that even that number of men at a convention couldn't cover it all.

Q. But they have their general sessions? A. They have their general sessions, yes.

Q. And any matters of general interest such as rates would be discussed or considered at the general session, wouldn't it? A. It might not. It might be discussed at the Accountant's Asso. Session, I do not know of any discussion to that end. There may have been.

Q. Don't you think Mr. Emmons if the status of the Electric Railways Association compared with Gas and Electric and Telephone and so on, was not enjoying anything like the return that was enjoyed by these other utilities, that would be a matter of general interest to the American Electric Railway Association, and that it would be discussed at their general meeting? A. It might be a matter of general interest and yet might not be discussed. They may have other things they would rather discuss than that.

Q. Anything so important as that? If it was not discussed wouldn't it indicate that it was not of sufficient importance to discuss? A. Not at all, no. Some things as important as that are not discussed in an open meeting.

Q. Then when you say that the ten cent fare will eventuallly be just as general as the five cent fare you are expressing your individual opinion, aren't you? A. That is all, yes.

Q. Now, you have testified that you have received ten complaints. I just don't remember what those complaints concerned? A. Complaints concerning car service during this period when so much has been said in the papers about our reduction of car service. Two complaints came thru the Commission, one complaint was thru the Baltimore Sun, seven complaints came direct to the office.

Q. Do you judge the public's satisfaction with your service by the number of complaints you receive? A. We generally get complaints when they are dissatisfied.

Q. And if you don't get complaints you conclude the public is satisfied with the service is that it? A. No, that doesn't follow, because we are not satisfied ourselves, if our checks show that we are not taking care of the service.

Q. Now, I am going to return for a minute to a matter that I spoke of earlier and probably I should have waited until now, but I want to ask you another question or two about it at this time. You have estimated the net of 1927, I think, at $424,388? A. Yes.

Q. Upon I think 2.51 reduction in passenger revenue, is that correct? A. 3.21 for the rest of the year.

Q. Now, that is about, in round figures a 50% reduction of the net, more than a 50% reduction of the net of 1926, isn't it? A. Yes, it is.

Q. On a 2.51 reduction in passenger revenue, explain that, will you please? A. Well, that means if you lose $400,000 in passenger revenue it is impossible to save all that thru your operations. As I made the statement here we figure if we had a 3.21 loss in passengers we probably could save 1% in operating expenses, but the fact was in September we were a little bit more than last year in operating expenses; while we lost $40,000 in gross revenue, we also lost more than $40,000 in operating expenses.

Q. I don't know whether you understand the significance of the question. There is a reduction of, we will say, two and a half per cent., using round figures in revenue passengers? A. Say $400,000 for the year.

Q. And a reduction of more than 50% in the net income, how do you account for—— A. You have to put that in dollars. You can't compare those two percentages. You can't think for a minute that you could only have two and a half per cent. reduction in passengers and only have a two and a half per cent. reduction in net income.

Q. But there is a big reduction in 2½ and 50? A. No, you take the dollar mark, 2½% on $16,000,000 is $400,000 and 50% of $800,000 is $400,000.

Q. In 1927, say you will earn $424,388? A. Yes.

Q. Which is over 50% reduction in the net income? A. You will remember there is $31,000 of that is sticking out in three items, accident, power and expenses.

Q. Is that the way you account for it? A. That's part of it. It's $300,000 of the——

Q. Suppose you had an increase of 2.51 in passenger revenue, would that mean a 50% increase in income? A. No, it wouldn't.

Q. It works one way, but it doesn't work the other? A. It doesn't work together at all. If you could hold 2.51 increase in revenue passengers, or a gross of $400,000 increase in earnings, and confine ourselves to the Commission's standard without increase in expenses, it would mean a net increase of that much, but that isn't the way it goes.

Q. Does the fact that the capital costs, go on just the same and gradually increase notwithstanding an increase in revenue passengers, have anything to do with that variation in net income, due to that small decrease in revenue passengers? A. You can't change your capital costs as your passengers change. I can't get just quite what you mean.

Q. Your capital costs goes on irrespective of the amount of business you do? A. You can't help that.

Q. Isn't that largely responsible for this large variation? A. No. That keeps just the same. I can't see how that can be tagged as being responsible for it. In fact it was felt in the previous case our ratio of capital costs today are considerably under our ratio of capital costs ten years ago.

Q. Assume there is a 5% reduction in business this year and next year and a corresponding reduction next year, and your operating costs increase and your capital costs increase. What's going to be the result? A. There would be a catastrophe if that would be so.

Q. You would be headed for the rocks, wouldn't you? A. I call that a catastrophe.

Q. That is the sort of case that you have presented so far, and I understand the way you are going to meet that is to increase your fare to a ten cent fare? A. We feel it should be done.

Q. Are you confronted enough with the results of that increase to take those chances? A. From the studies that we have made of other places and the testimony I gave in the previous case, I do not think a fare increase has any material effect in the riding. We have, however, figured a possible 2% loss on that change from 7½ cents to 10 cents.

Q. Why is it you are asking for 2½ cents increase now under present economic conditions, compared with the last year, when previous applications have only been for half a cent? A. We never really covered the expenses we should have covered. The previous applications were too low.

Q. Does that represent a change in the policy of the company? A. No, it simply represents a loss of some hope that we had that we were reaching somewhere the turning point of an increasing business.

Q. Wasn't it your opinion that once a ten cent fare in Baltimore City wasn't in the cloth? A. I never said such a thing. I never had that opinion.

Q. Didn't Mr. France say so? A. I don't think he did. You read something he said the other day.

(Mr. Tingley) It wasn't that.

(The Witness) No. He said he wouldn't expect to get a rate of return and he had in mind the rate of return on the amount we were setting up in the valuation case, which was $110,000,000.

Q. Well, probably when he spoke of cloth, he didn't just have that in mind, as I think you will find it in the record. A. Mr. Tingley read the record the other day.

Q. Well, so have I and probably that's so, but haven't you ever heard him say or anyone in your company say that a ten cent fare in Baltimore City simply wasn't in the cloth? A. I have never heard anyone say that.

Q. You think it is? A. I certainly do, or I wouldn't be asking for it.

Q. Now, Mr. Emmons, I think you said there was a 17% increase to charges to accidents and damages in 1927, is that correct? A. Up to date, yes.

Q. And I think you have explained that the juries are giving larger verdicts and probably consistent with their idea of the increased cost of living of something like that? A. That may be part of the reason, I am not sure.

Q. Can you think of any other? A. I know your reason, I think.

Q. Well, what is my reason? A. You think it's a dislike of the company because of asking for a fare increase.

Q. Well, I won't comment on that. Mr. Emmons, isn't there and hasn't there been for some time in your organization a bureau or department of safety or something like that? A. We have a safety department.

Q. And, of course, it takes money to maintain that department? A. It does.

Q. They are very successful, aren't they? A. We think they have done good work in reducing this accident per car mile from 4.4 in 1920 to 3.0 in 1927. We think that's good work.

Q. Reduction of the accident per car mile? A. The accidents per 10,000 car miles have been reduced from 4.4 to 3. Accidents per 10,000 car mile operated, and that's in spite of the increase in the number of automobiles on the streets.

Q. And notwithstanding that decrease in the number of accidents per thousand car miles, the charges to accidents and damages have increased 17%? A. Over last year, but now listen, in that time the charges for accidents, have not gone up that much. We were at that time, when we had 4.4 accidents per thousand per ten thousand car miles, we were setting up 4½% of our gross. I am not asking 4½% of the gross now.

Q. You are not setting up 4½%? A. We are not setting up enough.

Q. What are you setting up now? A. Three and a quarter.

Q. Have you an accident reserve? A. We have very little accident reserve, not enough to cover accidents that are on the books.

Q. What is the amount of that accident reserve now? A. At the present time.

Q. Yes. A. As of August first it is $231,000. I haven't got it later. We had $302,000 when we began the year and we set up 3¼%.

Q. 3¼% of what? A. Of our gross earnings. In seven months we had lost of our reserve $70,000 at the rate of $10,000 a month.

Q. How many months? A. In seven months we lost $70,000 of our reserve or at the rate of $10,000 a month.

Q. That would date from—— A. January 1st.

Q. That's about the time you conceived the idea of asking for an increase in fare, didn't you? A. We did not.

Q. You did not? A. We did not.

Q. In January? A. In January. No, we didn't ask for an increased fare until August.

Q. I mean when you conceived the idea of asking for it? A. No, sir.

Q. When was it, February? A. No, sir.

Q. March? A. No, sir.

Q. When did you first begin to think of it? A. When our earnings began to go down in May and June.

Q. When was the application filed? A. August 1st.

(The Chairman) When you spoke of the percentage of your gross earnings, being set aside for your accidents, you referred to your gross income.

(The Witness) The gross revenue, yes.

(Commissioner Harper) When you say gross earnings, do you mean gross revenue?

(The Witness) Gross revenue, yes, sir.

(Commissioner Harper) And not gross income?

(The Witness) No.

(Mr. Markell) Those figures are shown in People's Counsel Exhibit No. 17.

(The Witness) We set up for instance 3¼% of the 16 million.

(Commissioner Harper) Mr. Emmons, what is the approximate average number of car miles operated on a day other than Saturday and Sunday?

(The Witness) About 100,000.

Q. Now, Mr. Emmons, aren't there other safety agencies now functioning in Baltimore of recent origin that would affect the accidents or the number of accidents? A. The Baltimore Safety Council of which we are members and with which we co-operate.

Q. Aren't they more active now than they have been? A. Not any more than they have been for the last several years.

They have as the head of their safety movement Truitt, who was the head of our safety department.

Q. Haven't they on now a program, a thorough and a more aggressive program? A. Just at the moment the Automobile Association have undertaken to avoid accidents to automobiles by asking people to get them inspected. We have made our garage an inspection place. If you will take your car in there, we will find out whether the brakes are good, whether the headlights are all right, and give you a yellow ticket if you are right.

Q. What percentage of these accidents we have been speaking of are automobile accidents? A. They are very large. It is very interesting if you will take a moment to see the change between vehicular accidents and automobile accidents in the last few years.

(Mr. Howard) You don't count the automobile as a vehicles?

(The Witness) No, we count the horse-drawn vehicle as a vehicle.

(Mr. Markell) An automobile is a projectile.

(The Witness) For example, one of the important factors in connection with the accident situation at the present time, is the automobile accidents. About ten years ago the most prevailing type of accident was the boarding and lighting accident. About this time the company began the use of the closed type of car, superseding the open cross summer car. In 1917, $119,284 or 33% of our expenditures for accident settlements were for boarding and lighting accidents. This percentage has been gradually reduced until 1926, the percentage for this type of accident show 16% of $73,547. However, the increased use of the automobile today—since that time resulting in increased automobile accidents has taken the place of the boarding and lighting accidents, as the most expensive with which we have to deal. At the time we were paying 33% of the accident expenditures for the boarding and lighting accidents, the automobile accidents was costing only 8%, or $29,977, and as the boarding and lighting cost gradually decreased the automobile cost gradually increased, until in 1926 it had reached 24% of the accident expenditure of $106,833. Just going up that way.

Further, as an example of the extent to which the automobile accident enters into the claim cost it is interesting to note that in 1917, the total cost for vehicle accidents of all kinds was $64,000. Of this amount $34,000 was charged to horse-drawn vehicles and $30,000 to motor vehicles. The cost of horse drawn vehicles was gradually decreased until in 1926, the total cost for this type of accident was $7,063, while motor vehicle accidents cost $106,833.

Does that answer your question?

Q. So that the percentage is about what? A. 24% of our accident costs are automobile accidents.

(Mr. Tingley) What's the percentage of pedestrian, Mr. Emmons, just as a matter of curiosity?

(The Witness) I don't know that I have that.

(Mr. Tingley) Mr. Nodder says that he has it.

(The Witness) It would be interesting to know right at this juncture.

Q. Have you or not stated that you expect an increase in these charges? A. We are having an increase.

Q. A further increase? A. We expect that increase to continue. We are not asking for any more than the increased rates at the present time. We hope it will not continue above that.

Q. To what extent do you expect it to continue? A. We are asking for this $10,000 a month. We expect to try to hold that and we are not asking for anything further. We didn't increase next year's expenditures any more than the $120,000 that we see we need this year.

Q. Is that or not an expense or an increase that can be foregone for the present? A. I wish it could be. I do not see how it can.

For the purpose of the record, in answer to Mr. Tingley's question, Mr. Nodder's record shows that in 1926 the number of pedestrians struck by car were 227 out of all total accident reports of 4,374, or about 5%, and the claims paid were $31,018 out of a total of $387,405, or about 7%.

(Examination suspended.)

NOTE: At 4.05 o'clock P. M. the Commission then adjourned until Tuesday, November 1st, 1927, at 10 o'clock A. M.

EIGHTH DAY.

Thereupon—

**C. D. EMMONS,**

a witness of lawful age, produced on behalf of the Applicant, having heretofore been duly sworn, according to law, and whose examination was suspended for the purpose of adjournment, resumed the stand, was examined and testified as follows:

CROSS-EXAMINATION (Continued).

By Mr. Clark:

Q. Mr. Emmons, look at Ex. No. 1-A? A. Yes.

Q. Mr. Emmons, this exhibit indicates a falling off in passenger revenue for 1927 to October 1st, of 2.80%, under 1926, doesn't it? A. To October 1st is 2.75 and including approximate October is 2.80.

Q. Yes? A. That is using 2.31 for October. The preliminary figures which I received this morning, show 3.3 for October which will raise that 2.80 a little bit.

Q. What was the corresponding decrease in car miles, that is for the same period of 1927 under 1926? A. I can give it to you approximately. It will be for the first nine months compared to the first nine months of last year The car miles decreased in the first nine months of 1927 over the first nine months of 1926, 2.93. Seat miles, which we are now measuring because of the change in the type of car, has decreased 2.18.

Q. Then for this period car miles decreased at a greater percentage than passenger revenue, did it not? A. Almost identically the same. There is hardly any difference, and seat miles not so much.

Q. The percentage however of car miles was a fraction greater? A. 2.93 in car miles against which will probably be 2.82 or something like that, but seat miles you must remember is also measured which is 2.18.

Q. Why did you make that reduction in car miles? A.

In order to meet the conditions of traffic as presented to us.

Q. Is that the policy of your company? A. If traffic changes we always have. Always have.

Q. Why is it then in Exhibit No. 22 you estimated a decrease of 5% in passengers, but no decrease whatever in car miles operated? A. For the reason we have cut as far as we should cut, as far as normal service is concerned, and the peak hour service, which is really the expensive service, the peak hour traffic is increasing, so that the condition today has gotten very different from the condition a few years ago. It used to be if you had a 4% decrease in passengers it was likely a decrease spread thru the day, but the automobile has made that change to the extent that a decrease in passengers like that is in the normal hours, and there is actually an increase in passengers in the peak hours.

Q. Why would there be any difference between this year and next year in that respect? A. There probably will be just the same difference, but that's one reason why we have been trying to work our way out. We do not feel we should cut our service any more. That's the reason we put our operating expenses in as the same.

Q. What do you mean by trying to work your way out? A. We mean that since the fare case of 1924, at which time we promised the Commission we would try to work out on the 8-7½c fare we have been continuously trying to do it.

Q. Do you mean by that that a reduction in car miles corresponding with a reduction in passengers from month to month is not the policy of your company? A. It has been, and I say we have been trying to work our way out, but as I said in my previous testimony, I believe Baltimore should be able to have a service and be willing to pay for a service that would give a minimum of not more than ten minutes on any line in the city. We have some lines that are 12 minutes in the normal hours and some that are 15. We feel they are entitled to better service, but we haven't the money to give it.

I want to say this, that the service that we give meets

the Commission requirements, and in many cases more than meets the Commission's requiremens.

Q. Then would you not modify your Exhibit No. 22, decreasing car miles operated to conform with the decrease in passengers? A. No, I wouldn't, because there is not only the question of car miles there, but a question of maintenance of property. The last two years we have held our maintenance cost down to the very rock bottom. We feel we should have a little more liberal allowance there. We feel that we ought to hold the expense at least to what we have been given this year.

Q. Is it good railroading to reduce car miles from month to month as the passengers fluctuate, irrespective of cost? A. Why, certainly. It is just like the man in ordinary business. When he finds his business going he will reduce his expenses if he can.

Q. What is the unit of service furnished by a railroad company? A. Well, it's called car miles sometimes, and now it's getting to be seat miles. When you change the type of a car so that you give double the seats than you did formerly, it means you give better service, or if you have a reduction of car miles, you will still be giving as good service.

Q. But generally speaking, car miles with that seat mile exception, car miles is the unit of service corresponding with the thousand cubic feet in a gas company? A. The measure has been that.

Q. Or the kilowatt hours in an electric company? A. Yes.

(The Chairman) When you change your standard from car miles to seat miles, because of your changing character of equipment, and you put a greater number of seats in a unit——

(The Witness) Yes.

(The Chairman) If you measure that by seat miles doesn't it result in fewer cars being run on the tracks, and although they may be larger cars does it not mean that there will be greater headway between the cars?

The cars will be farther apart and people will have to wait longer for a car although you may get more passengers in a car?

(The Witness) That would be right if that were true all during the day. Largely these increased seat cars are on the peak hours, so that it may be a reduction from say a minute headway to a minute and a quarter or something like that.

Q. Mr. Emmons, let me understand you thoroughly right there. In changing the carrying capacity to conform to fluctuations in traffic is it your idea to furnish cars or seats? A. We measure both, Mr. Clark. Cars really mean headway, car miles, and we measure that way. At the same time we measure seat miles, so when it comes to the rush hour, when seats furnished or capacity furnished is of prime importance we use the seat mile measurements. When it comes to normal hours when headway is of prime importance we have the car mile measurement.

Q. Now this decrease in passenger revenue is due of course to a decrease in revenue passengers as shown on Exhibit No. 2, isn't it? A. Yes, they go together.

Q. Now, Mr. Emmons, wasn't there an annual increase in revenue passengers from the very time of the consolidation of the Baltimore companies in 1899 to and including 1920? A. Our Exhibit No. 11 in the previous case shows that.

Q. You mean the emergency case? A. In the preliminary case or the emergency case.

Q. Yes. So that the passengers just gradually increased for a period of twenty years right up to 1920, including 1920. Now 1920 marked the peak of revenue passengers as this study indicates.

Now, Mr. Emmons, I want you please to give me, as briefly as possible, your reasons for this sudden turn downward in the number of passengers carried by your company. Now we have heard references to it from time to time during the proceedings, but I want to get them in one, two, three order; your reasons for this sud-

den turn downward in 1920? A. There is only one big reason. If you have Exhibit No. 11 before you, you will see it shown thereon. That is the question of the growth of the automobile. In 1919 there were about 80,000 automobiles registered in the State of Maryland.

Q. I have heard that and the Commission has, too. I don't want you to repeat that unless you insist on it or the Commission wants it. A. That is the thing to repeat and keep repeating, Mr. Clark, if you want to know what has become of the passengers of the United Railways and other street railways in the United States.

Q. I am asking you now for the reasons, and the private automobile you give as the chief reason? A. The chief and greatest reason.

Q. Now what other? A. That is the only real reason of the continuous decrease in passengers.

Q. Would you say increased fares had nothing to do with it? A. I say no. I gave you record after record where I showed increased fares had very little or no material effect on the question of the riding habits of different cities.

Q. Very little or none. Now just what do you mean? A. I say very little or none. That means almost none. I can't say there is none because there is some, but it is very little.

Q. Any other reasons? A. You might say business depressions, but that's very little, and if there is any business depression now I am sure we get no comfort out of it, because all indications are they will be no better. We are going into a Presidential year next year and business is never good at that time.

Q. Change in headways have nothing to do with it? A. Very little. It might some. That's the reason I say we ought to be in a position and have money enough to give a ten-minute headway.

Q. I will came to that after awhile. Mr. Emmons, how do you reconcile your conclusion now as to automobiles; that the private auto is the cause of your 30,000,000 passenger loss since 1920 with the fact that in Philadelphia

the number of passengers has grown without a setback during this period? A. I think you are mistaken.

Q. I think not. A. I think you are.

Q. Have you the figures there? A. I have not, but I am quite sure you are mistaken. And remember, Mr. Clark, in that 30,000,000 there is 10,000,000 to 12,000,000 due to loss of fare zone extensions also.

Q. Have you any study there showing total passengers during this period from 1920 to the present time? A. I have the numbers, yes. It's on some of the exhibits, too.

Q. That isn't on Exhibit No. 11, is it? A. Yes, it is, revenue passengers up in the left-hand corner.

Q. I mean total passengers. Have you the total passengers for the corresponding period? A. You mean including transfers and everything?

Q. Yes. A. No, I don't think I have a figure of that kind.

Q. What has been the fluctuation in total passengers comparing them with the revenue passengers? A. It would correspond to the same percentage, I presume.

Q. Now, then, I am reading from page 11 of the 1926 report of the Philadelphia Rapid Transit Company:

"In 1920, 908,000,000 passengers."

Now that was an extraordinary year for economic reasons all over the country. In all the reports 1920 seems to stand alone. Now then:

"1921, 836,000,000," and then "1922, 848,000,000; 1923, 918,000,000," and "1924 it fell back a little, 913,000,000; 1925, 926,000,000, 1926, 966,000,000," a jump of 40,000,000 passengers for 1926 over 1925. A. Do you know in that time the Frankfort Elevated was opened and new territory added to the revenue passengers there, and we also know that the bus passengers are included, busses going out in territories that never were served before. That all makes a difference.

Q. Let's see what difference that does make. What

difference does it make so far as the passengers carried are concerned whether they are carried on rails or on rubber? I mean public passengers now? A. It isn't that. It's a question of opening up new territory.

Q. I thought you said it is too expensive to open up new territory? A. It certainly is, but when they do open them up then they increase revenue passengers.

Q. Of course if there are more people to be carried then they will carry more, but what that has to do with the question of competition with the private auto—— A. A great deal.

Q. They are public riders aren't they? A. The private auto may take people there. If you go into a territory that has never been served you will certainly create additional passengers. If Baltimore would build an elevated line down toward Annapolis, a district we don't reach, and we would begin operating, we would get new revenue passengers too.

Q. In other words, that's just a way of saying that Philadelphia is a large city and they carry 966,000,000 passengers where we carry three hundred and some million. That's what you mean by that? A. No. All I mean is this; that the development of a city, extension of lines or additional of territory through bus service will naturally increase the number of revenue passengers.

Q. Wouldn't private cars compete just as much with busses as they would with street cars? A. They do, yes.

Q. You know that in Philadelphia the Rapid Transit operated their busses at a deficit and are still doing it? A. I understand they lost several hundred thousand dollars last year through busses, but however the revenue passengers show in that total.

Q. Exactly, but I am talking about now the passengers that are carried in public conveyances like busses and street cars as compared with passengers carried or with people who ride in private automobiles. In the City of Philadelphia the passengers carried by the Philadelphia Rapid Transit Company busses and cars has gone ahead each year? A. No, not each year.

Q. Well a setback of five million one year, but has gone ahead about 100,000,000 since 1920? A. Your arithmetic is pretty bad, because 908 from 960 is 52,000,000.

Q. I was looking at 1919, but I want to call your attention to that and get the benefit of that in 1919? A. Another thing I forgot.

Q. Over 40,000,000 from 1919 to 1920 increase? A. I forgot the opening of the Camden Bridge which naturally brings a very, very large number of revenue passengers to the P. R. T. I don't think they are comparable at all, Mr. Clark.

Q. Is there any way for them to use private automobiles? A. They do, but when 75% of the people ride in public conveyances or busses, when you open new territory you are going to get 75% of that new territory, and the opening of the Camden Bridge and the opening of the Frankfort Elevated, and the extension of busses, even at a large loss, naturally boosts up revenue passengers. I can't see any comparison at all between Philadelphia and Baltimore.

Q. I don't think you want to. It's easy to see. You also get the additional competition don't you? A. To the extent of 25%, but if you get 75% of the riders you are better off as far as the total revenue passengers are concerned. You might lose money however getting that 75%.

Q. Then I understand your explanation of that is that new territory and new business opens up and therefore passengers increase? A. Yes.

Q. But that doesn't necessarily mean that the public conveyance passengers over the private automobile passengers increase? A. I think the same ratio holds for new territory or old, so if you go into a territory that has 100,000 people, 100,000 riders, you are likely to 75% of those during the period that the 100,000 would ride.

Q. Now then have you compared the passenger figures in other cities comparable to Baltimore? A. No, because while I know that they have gone down, and I can give you them if you want, I have got quite a lot of them, I

think they are not comparable at all, but if it's interesting, for our own information I have been getting information from other cities, and this city of Detroit for instance that is spoken of so much, during the month of August went back 8.44%. The City of Buffalo went back back 7.30%. The City of Philadelphia went back 5.6%. The City of Washington 2.15%. The City of St. Louis 2.73%. The City of Boston 1.63%. The City of Cleveland 3.43%.

Now I have the other months here and you will find the same thing. Here is the month of July. Detroit went back 12.03%. Philadelphia, your town that is going ahead so well, went back 8.69% in July. Boston went back 4.86%. Cleveland went back 7.38%. Washington went back 5.31%. St. Louis went back 5.27%. Pittsburg went back 3.78%.

Q. For what period? A. This is the month of July. I have June. They are all the same. June Detroit went back 12.18%. Philadelphia 7.55%. They are all getting the same thing that we are.

Q. And all due to automobiles? A. Largely due to automobiles.

Q. And not due to any existing economic condition? A. Very, very little.

Q. Now, Mr. Emmons, Mr. Kelker's traffic survey of Baltimore shows that revenue rides on your lines per capita of population grew from 254 rides in 1910 gradually up to 321 rides in 1920, but from 1920 to 1925 the annual rides per capita had dropped from 321 to 272. That's correct isn't it? A. That probable is correct. That is due to the automobile.

Q. Now you say that the automobile is the cause of that also? A. I think it is.

Q. That indicates a falling off in the riding habit doesn't it? A. Yes, but our riding habit still holds pretty well with other cities. I have had figures made for other places and I find that we fare very well with other places.

Q. What study if any have you made of the possible

saturation point of automobile use or competition? A. I am sorry I have to confess I am not able to find that saturation point. I wish I knew it.

(Mr. Tingley) It isn't even in sight is it, Mr. Emmons?

(The Witness) I am afraid not.

Q. People ride chiefly to and from the center of the city don't they in their automobiles? A. No I think not.

Q. Well street cars also? A. We are hauling somewhere between 75 and 80 per cent. of the people that come to the center of the city, but I would doubt very much whether we haul between 75 and 80% of the people who used to ride in comparison outside of the center of the city, visiting friends and things like that.

Q. But Mr. Emmons you know that chiefly the riding in Baltimore City either in street cars or automobiles is from the center of the city? A. Chiefly I would say yes.

Q. Now do you drive your car down town? A. No I don't drive my car down town.

Q. Does somebody drive it then? A. Usually, but I usually do work on the way down. I have met my manager and assistant manager at my house and we go out some place, observe traffic, see the work that is going on, visit car barns and generally do a half hour to an hour's work en route to the office.

Q. Have you heard of the difficulty now in getting parking space down town? A. You don't have to hear of it, you can see it.

Q. Don't you think there is a limit to parking capacity down town? A. Well there is a limit to that but there are new garages being built, new places being opened up. people are beginning to park further out and further out, so it's just a question of how far they are going before they stop parking. You see them parking up as far as the Belvedere Hotel.

Q. And that doesn't give you any idea of the saturation point? A. I am sorry I can't see it. I wish I could.

Q. Suppose I should tell you that a number of people

have told me recently that they have stopped driving their cars down town because they can't find parking space and frequently have to drive around fifteen, twenty and thirty minutes around and around before they can get a place to put their cars. Would you say that has anything to do with the saturation point being in view?

A. Well I wish it was enough to not have had a loss of over $3,000 yesterday. What I say is there may be a few isolated cases like that, but not enough to begin to make our revenue come back, Mr. Clark.

Q. You wouldn't want to venture any opinion at all on that would you? A. I wish I could. I would not want to know.

Q. Well when the time is reached that we simply can't find any more space on the surface of the streets or in garages to store our cars down town we will use street cars won't we? A. It might be, but this I think might be true even now as congested as it is. If you take an area the people will ride into and walk on down through it that you will find that it's perhaps not half filled today.

(Mr. Tingley) Don't a great many people who drive down town in automobiles park way up town and come down in street cars?

(The Witness) Some few, but that doesn't help our revenue so much. I noticed a man drive down Charles Street and stop and lock his car, and I said there is an all day parker, and he took one of the Charles Street Busses to come down town and he paid ten cents for his ride.

(Mr. Tingley) Ten cents for a comfortable ride.

(The Witness) No, he had to stand up because the bus was crowded.

Q. All right. I see we can't agree on the saturation question. We will probably have a witness on that question.

Now Mr. Emmons I want to ask you this question. Is the loss of passengers and the fear of continuous falling off in the future the only thing that brings you before the Commission at this time in an application asking for

an increase of 33 1-3 increase in fare? A. That compels us to come, but we have been showing, in every great case we have been in, we called attention to the fact that 5% of gross is not sufficient for depreciation allowance.

(Mr. Tingley) That was the basis originally suggested by the Company wasn't it Mr. Emmons?

(The Witness) I think that may be true. That is before my time with the Company, but every time we have had a rate case that has come up in that way.

Q. That falling off in passengers, this decrease of 2.80 in revenue passengers isn't the only thing that brings you to come before the Commission? A. That compels us to come before the Commission.

Q. What else does? A. That primarily compels us to come before the Commission, and with the compulsion of coming before the Commission we are developing the fact that we are not only short of depreciation but terrifically short on rate of return.

Q. Then the question of depreciation incidentally—— A. It's part of the case.

Q. Would you come before this Commission on the question of depreciation alone? A. Not alone, no.

Q. How about your return. A. The return is a part of this case. The question of return.

Q. But suppose you had no falling off in revenue passengers this year compared with last, you are taking the position that last year and the year before that and for many years back you haven't earned a fair return. Would that have brought you before the Commission at this time? A. Mr. Clark I think if we had been doing as well this year as we had last we would still have been trying to work our way out, as I said before, on the 8-7½ cent fare. We would not be here if the loss of revenue passengers had not effected us to such an extent that we are hardly making ends meet.

Q. In other words then the question of about a million and a half additional depreciation allowance that you are asking for and the question of return on value, they are secondary. You would not be before the Commission at

all now except for the fact that your passengers are declining and of course your revenue this year——

(Mr. Markell) What does that mean? Secondary?

(The Witness) Being compelled to come before the Commission there is nothing secondary in the case. There are three things. One is to get sufficient revenue to operate the property and maintain it in proper shape, the second is to get sufficient revenue to give us a proper depreciation, the third is to give us sufficient revenue to give us a fair return. Now they are all a part of the case and one just as primary as the other, but as I said before, being forced to come over here because of the loss in passengers, one is just as important a part of the case as the other.

Q. But it was the loss of revenue that forced you to come before the Commission at this time. A. That forced us.

Q. You would have not come before the Commission on your depreciation plea or on your return plea?

(The Chairman) Mr. Emmons has said it two or three times.

(The Witness) I say the loss of passengers forced us to come over to get sufficient money to operate the property.

Q. All right. Then you would not have come in on the depreciation claim or on the return claim if it hadn't been a loss this year in passengers? A. I might qualify that by saying not at this time. If we were making as good as we were last year we probably would not be here at this time.

Q. Now Mr. Emmons the allowance for depreciation now is 5% of gross? A. Yes, sir.

Q. And that has been so for how many years? A. I don't know when it started. I know it was in effect in 1919.

Q. When you came with the Company. And that 5% was fixed by the Commission? A. I wouldn't say it was

fixed by the Commission. It was allowed by the Commission.

Q. Approved by the Commission? A. Yes. I might say that it wasn't upon the question to raise it. We were not permitted to raise it by the Commission. On a question to raise the amount of the allowance we were not permitted to raise it by the Commission.

Q. What do you mean by that? A. I mean that every rate case we showed that 5% of the gross receipts was not sufficient to cover depreciation, but in every rate case also the Commission finally figured their basis on the basis of a 5% allowance.

Q. Now Mr. Emmons don't you know that you never suggested inadequate allowance for depreciation to this Commission until Mr. Zimmerman worked that out in the 1919 case? A. That's when the suggestion began.

Q. And never before that had you mentioned inadequate depreciation allowance to this Commission? A. I wasn't here. They only had one rate case before that. In fact that was the first rate case, Mr. Clark.

Q. You are familiar with the attitude the Commission took in that matter then, aren't you? A. 5% of the gross was the allowance given us.

Q. Now in 1926, you reconstructed 15.2 miles of track, didn't you? A. I think that's right.

Q. That's about the normal in order to keep up with current replacement needs, isn't it? A. No, I think our average shows 17½, and my testimony always has been we should have sufficient to replace 20 miles out of 433 miles of track.

Q. In past cases before this Commission, haven't 16 miles been used as the normal trackage to be replaced? A. I think you will notice my testimony has usually said 20 miles is what we should have.

Q. Well the average over the past eight years is 16.5 miles? A. Mr. Hill will develop that in his testimony. I think you will find it 17½.

Q. Well, I have taken your figures since 1919 and I

find it 16.5? A. You have taken reconstruction. You perhaps haven't taken retirements. There has been certain track that's been taken up and retired. You have to provide for retirements as well as reconstruction, Mr. Clark.

Q. No. I am taking your 131.8 miles of track? A. Reconstructed.

Q. Reconstructed, yes? A. And at the same time there is other track actually taken up, and I say your depreciation reserve has to provide not only for the reconstruction of that track but for the retirement of track.

Q. Then that would raise that from 16½ to 17 something? A. I say Mr. Hill will develop that.

Q. You don't object to being cross-examined on the depreciation question at this time, do you? A. Oh, no, excepting when you get to the detail Mr. Hill has given that more time and thought than myself, and I will ask you to save the questions for him.

Q. Are you keeping up with replacement needs? A. We are keeping up as far as safety is required. I don't feel we are as far as comfortable riding is required.

Q. Is your road bed in normal condition today? A. I think we are in 85% condition as the Commission gave us.

(Mr. Tingley) Is it in the 90% condition that the Company claimed in the valuation case?

(The Witness) I wouldn't be surprised, but I think we could find a 90% condition if we went and studied it, but I think we are at least in the 85% condition that the Commission gave us.

Q. In your report of 1926 to the stockholders you say 131.8 miles reconstructed in the past 8 years is nearly one-half of all the tracks in the City streets under frequent service. A. I think that statement is right.

Q. Now I have taken from your reports an allowance for the past eight years. I find the average annual allowance to be $817,595. That's about right, isn't it? A. For depreciation?

Q. Allowance charged to depreciation. I am not talking about now the retirements. I am talking about the 5% of the gross? A. I guess that's right, yes.

Q. About $817,595. That equates about $4,962 per mile of track. That's pretty low, isn't it?

(Mr. Howard) Per mile of track owned you mean?

(Mr. Clark) No, per mile of track reconstructed.

(The Witness) For depreciation? Oh, you are trying to get the cost per mile of track?

Q. Yes, reconstructed.

(Mr. Howard) Not on the theory that the track is the only thing concerned.

Mr. Clark) Oh, no. The road bed and structures is all that's involved in that item, isn't it?

(Mr. Markell) This is depreciation for the whole system.

(Mr. Clark) Yes, I know.

Q. (By Mr. Clark) Now in the past eight years, the allowances which have been made under the 5% rule have enabled you to accumulate a reserve of about a million and a half, that's correct, isn't it? A. A little over a million.

Q. It's about a million and a half, isn't it? $1,500,000 and some thousand? A. I will give that to you. Yes. January 1st, $1,151,000 at the present time, having held down expenditures this year in order to try to keep ourselves in a proper financial condition, we have saved out of the allowance set up, $264,000, so the present balance is $1,415,000. The first of the year, however, it was $1,151,000, Mr. Clark.

(Mr. Chairman) That's your reserve for depreciation.

(The Witness) Yes. That's accumulated in about 15 years.

(Commissioner Harper) When did you say you saved that $264,000?

(The Witness) During the present year. We have just been not able to do the work.

Q. You have here at the end of 1926 reported an accumulation of $1,520,000 depreciation of road and equipment, provision $9,999,000 expended $8,479,000, leaving a balance or an accumulation of $1,520,000 as of December 31st, 1926? A. That's correct. I notice I have read the wrong figure here. That's correct. The present balance is $1,415,390.

Q. Then the 5% of gross revenue has more than taken care of the normal current replacements, hasn't it? A. It has not, because we haven't retired any cars and we burnt up and excluded from the valuation a lot of cars at a reproduction cost of over $3,000,000.

Q. Mr. Emmons, how many cars did you burn up? A. Some 300. 329, I think.

Q. What entry was made of that loss? A. We are carrying them as unamortised loss here.

Q. Carrying it as an unadjusted account? A. Yes, they are under property abandoned to be amortised. Original cost shown as $1,076,000.

Q. When was that entry made? A. The first of the year when Haskins and Sells went over the books they put that entry down.

Q. Is that where that entry belongs? A. They are bookkeepers, I am not, and that's where they said it belonged.

Q. You burn up a lot of cars and then make an entry in the unadjusted account. You don't know where to put it, do you? A. We had to. If we had it in the depreciation reserve we would have taken it out of the depreciation reserve and used it, but we hadn't it. Certainly that's the place it ought to have gone. $1,076,000.

Q. You did have that in the depreciation reserve? A. But that would have taken out all we had.

Q. That's just a bookkeeping entry anyway, isn't it? A. Then we would have had nothing in the depreciation reserve.

Q. If you are carrying in the unadjusted account something that belongs to depreciation, in other words property charged against depreciation you are not fooling anybody by carrying it in the unadjusted accounts? A. There is no attempt to fool anybody. It shows it in the report there.

Q. But on its face it belongs as a charge to depreciation? A. We think it ought to be amortized.

Q. Are you sure now that it is properly a charge to depreciation? A. I am sure it is.

Q. Wasn't there some doubt about it because you charged it into unadjusted accounts? A. Not a bit.

Q. I don't know all the facts? A. You ought to.

Q. You didn't have to have the money? A. We should have had the money.

(The Chairman) They weren't in the valuation at all.

(The Witness) They were taken out of the valuation, Mr. Chairman. The same way we had some miles of track that had not been used that we took out of the valuation. We had some old car barns that were not being used that we took out of the valuation.

(Mr. Clark) Mr. Emmons injected that burnt car business. It is very important in this case that this Company is able to take care of more than current replacements.

(Mr. Howard) It's been shown that it isn't.

(The Chairman) Don't let us go into that. I don't think it has any bearing on the case at all.

(Mr. Clark) What hasn't?

(The Chairman) These burnt up cars.

(Mr. Clark) I don't think so either.

Q. (By Mr. Clark) Now, Mr. Emmons, look at Exhibit No. 16, will you? From this exhibit I understand that prior to 1924 you were using book costs for retiring property, and beginning with 1924 you have used

Commission valuation figures, that's correct, isn't it? A. No, that is not correct.

Q. What is correct then? A. We feel we should use the Commission valuation figures. It hasn't been finally settled. We have still been going on the rules of the Commission retiring at book cost.

Q. Oh, you are still retiring according to book costs and not valuation Commission figures? A. The valuation is not entirely completed yet. There is no question but that valuation figures is the proper figure to use. To bring the valuation up to date we did use the valuation figure which is proper. On the books, however, the books are still kept the way they were previously kept.

(Mr. Tingley) The rules of the Commission require that?

(The Witness) Yes, the rules of the Commission require that.

Q. Did the rules of the Commission require book cost prior to the valuation? A. Prior to the valuation.

Q. What is the purpose of Exhibit No. 6C? A. The purpose of Exhibit No. 6C is to show that after bringing the valuation of 77,000,000 to date with additions and subtractions, and extending it forward to 1920, that our rate of return has been materially less than 6%.

Q. Why do you make that break between 1923 and 1924, using book cost up to and including 1923, and valuation prices or figures after 1923? Why is that break? I just don't see it. A. Well the valuation figures is taken and retired by book additions from 1920 to 1923, by book additions and book retirements.

Q. Yes, I understand that. A. We had no valuation of these various parts at that time.

Q. I know. A. But after 1924 we had the book additions and valuation retirements.

Q. Yes? A. Now the book additions are practically the same as the valuation retirements because they are present day costs.

(The Chairman) Valuation made as of January 1, 1924.

(Mr. Tingley) December 31st, 1923.

(The Chairman) The same thing. One day.

Q. But now then since the valuation you are still using book costs? A. No, this reads book additions and valuation retirements.

Q. You say rate base, years 1924 to 1926, inclusive, is at mid-year average for respective years as adjusted on $77,000,000 valuation by book additions and valuation retirements. Now what do you mean there by valuation retirements? A. Valuation retirements is the amount given in the valuation for those respective items that have been retired, and book additions is the actual cost of putting them in place.

Q. What figure then are you using now for retirements? Old book costs or valuation figures? A. The valuation figures.

(Mr. Howard) You mean in this exhibit, Mr. Clark?

(Mr. Clark) No, I am not talking about this exhibit.

(Mr. Howard) What are you talking about?

(Mr. Clark) What I said.

(Mr. Markell) What I said didn't have any meaning.

NOTE: Previous question and answer here re-read by reporter.

(Mr. Howard) Of course speaking of this exhibit?

(Mr. Clark) No, I am talking about his old book costs which are higher, I am informed, are higher than the prices used in the valuation or the valuation figures.

(The Witness) It's just the other way, Mr. Clark, and that's where the difficulty comes in.

Q. Were your book costs lower or higher than the Commission—— A. We had no definite book costs, but the original costs, as near as can be figured, are of course less than the reproduction cost of today.

This is gotten up, as I said, this is the book additions, which is the present day cost, less the valuation retirements, which also is the present day cost, so it keeps a balance in the valuation figure as of today. Now our difficulty has been, if that's what you are trying to get, our difficulty has been these retirements out of this depreciation fund have been made according to the original cost of the construction, and it has cost us twice as much to put it in, consequently this depreciation reserve used is only about one-half of the amount that was needed to replace what was put in in the place of it. That on the face of it shows the failure of a 5% gross depreciation reserve.

Q. Did you actually have on your books anywhere your original cost figures? A. No.

Q. Didn't you equate your capitalization over your plant in order to determine the retirement figure? A. We have not.

Q. You never did that? A. No.

Q. Just how did you ascertain the retirement figure? A. According to the rules of the Commission we take a piece of work and take its present day cost. We figure then just as carefully as we can what it cost originally. The rules of the Commission have been that all we could charge out of the depreciation reserve was the original cost and the difference between the original cost and the present day cost had to be capitalized.

Q. All right. Then you have been retiring at present day costs then? A. Why I just said the other thing.

Q. You said you took the original book cost and brought that up to present day cost? A. No, I said this. I will say it again. I said the rules of the Commission have been that all we could take out of the depreciation reserve as set up was the original cost of a piece of work.

Q. Yes. A. Now, so you will understand it let's take a piece of work that cost originally $50,000. It costs today $100,000. The Commission's rules have been that all we could take out of the depreciation reserve was the fifty thousand. The other fifty we had to capitalize.

Q. Oh, I understand that. A. Now we say that is all wrong and we have said it all the time, because that $50,000 additional is the necessary fund to replace the part of track or properties being worn out by the public at this time.

Q. I understand that. The difference between the retiring figure, if there is any, and any reconstruction figure is all charged to capital account. I understand that, but I asked you how you got at this original cost figure, and I understood you to say that you didn't have it but that you retired at present day costs? A. No, I didn't say that.

Q. Then how do you get your retiring figure? A. I just said a moment ago, and I wish you would get it this time, if you please, that we figure up just as carefully as we can what that piece of work would have cost at the time it was originally put in.

Q. Then that's a piece of guess work, isn't it? A. No, I wouldn't call that guess work. We have the figures of labor and the figures of materials. Say a piece of track was put in in 1902, we know what the rate of labor was, we know what material was. There is not much guess in what it really costs.

Q. Then you made the best effort you could get at the original cost? The rule being the original cost? A. That is right.

Q. And the difference between the original cost and the cost of reconstruction of course was charged to capital account. I have been familiar with that for some time too, but I was misled by your exhibit here into thinking that book additions were used prior to 1924, and valuation figures since 1924, and further from something that was said, I got the idea that you had equated the capitalization over your plant in such a way as to arrive at a retirement figure, which was greater than the valuation figure, and that's wrong? A. That would be true, if we did, but we haven't done that.

Q. How long has the United had a depreciation account for replacements, Mr. Emmons? You had none before the Commission existed did you? A. No, 1912.

Q. Since 1912? A. Yes.

Q. Now, Mr. Emmons, I think you have estimated, that what you are entitled to as a depreciation allowance is about $2,200,000? A. That is correct.

Q. In round figures that's about $1,400,000 per annum more than allowed now? A. That is correct.

Q. What would you do with this if you were allowed this additional $1,400,000? A. Why we have plenty of use for it. We will have.

Q. All right? A. It isn't a question of what we would do with it.

Q. Oh, yes, it is? A. It is a question of whether we are deserving to have it, and I think when Mr. Hill analyzes the thing, you will find out why we need it.

Q. No, it's a question of what we will do with it? A. For instance, we have situations like this come up.

Q. Can you answer that question? A. Yes, I can answer that.

Q. I wish you would? A. Just like the Gas Company. We should have a fund of somewhere from ten to fifteen million dollars just to take care of things that we cannot see. For instance, Mt. Washington. We had a good steel viaduct there, that we were running over and giving service. The City comes along and builds a new one along side of it, and for the sake of safety and because the public desire us and the city desire us to give up the old property and go on the new one. Now that becomes obsolete right over night.

If the Franklin street viaduct should be put across there would be another set of tracks become obsolete over night. We have got to have money in a fund to take care of those things.

If the Howard Street Improvement goes thru there are a big bunch of tracks around Richmond Market that will become obsolete and another piece of track will become obsolete and things are coming up all the time, just like the cars, when it came time to burn those cars up we should have had money in the fund to have bought new cars in place of them.

Q. What would you do with it? Keep it in the cash fund or invest it in your porperty? A. It would be invested in property or a cash fund.

Q. Would you carry it as a fund or as a reserve? A. don't think there would be any fund to accumulate, Mr. Clark.

Q. Well, if not, haw can you account for your accumulation of a reserve at present allowances? A. A million and a half in 15 years on the basis that we have had to capitalize everything above original cost. Now, if we had put the replacements at present day costs, which I hold should have been done, and really will have to be done, now that the valuation is reached, there would have been instead of a million and a half shown, we would have been quite considerably in the red.

Q. What you would do with that would be what you have done with the present $1,500,000. You would reinvest it in your property? A. Not reinvest it, we would have to use it.

Q. You would use it? A. Yes, we would have to use it.

Q. So if you got this $1,400,000 more than you are getting now you would use it? A. We would have to use it.

Q. You would use is as you have used the million and a half, wouldn't you? A. Yes.

But we would have to use it in replacements and in all manners of things that may come up that we can't see.

Q. Well, suppose we assume this? Suppose we assume that your present allowances will take care of normal replacement needs? A. But it does not, Mr. Clark.

Q. But it has? A. It has on the basis that the Commission has allowed for track only. For track only. Now, if we spent last year out of a depreciation set up, of $800,000, $700,000 that really means, $1,400,000, this is just speaking roughly that should have been charged to depreciation to replace that track that was worn out. We had nothing for cars, we had nothing for buildings. We had nothing for overhead. We had nothing for sub-

stations, and it's those things that make up the difference. Now we need it.

Q. What is the policy of utilities with respect to the use of their depreciation reserve? A. I think if they have any, rather than have it stand idle, they probably temporarily invest it in their own property.

Q. Isn't that the policy? A. That may be done.

Q. May be done? Don't you know that that is the policy of utilities? A. No, you take different reports. and you will see that they have built up a reserve of several million dollars.

Q. I am talking about the reserve, not the charges against the reserve. I am talking about now the accumulation, the reserve to take care of you you say future retirements or accrued depreciation or anyway you choose to put it, but I am talking now about the accumulation, the depreciation reserve over and above the realized depreciation? A. Well, it's a question of how much would ever accumulate. I think it would be so little it wouldn't mean very much.

Q. But you would accumulate, you would use as similar companies have used, and as this Company has used? You would use it in property extensions? A. You might. You might invest it.

Q. All right. Now, then, what is the average capital needs of your company at the present time? Somewhere around five hundred or six hundred thousand dollars a year? I mean your average now? A. We have run for a good many years up close to a million.

Q. The mid-year average? A. The mid-year average. I think it would be about $750,000.

I think a study of five years ahead, and refunding of maturities and refunding the expenditures which we should make amount to $17,000,000 in five years, so that shows a need of credit that we need very badly.

(The Chairman) How much of that is refunding?

(The Witness) About nine million of it is refunding. About eight million is capital improvements.

Q. But the capital needs to take care of the current capital requirements doesn't exceed $700,000? A. Yes, I would say they should exceed. We have simply had to hold ourselves down. I say we ought to have a million to a million and a half for capital requirements every year.

Q. So if you got this million four hundred thousand dollars more than present experience shows, you need, and you used that in property extensions and capital extensions, you would never have to borrow any more money would you? A. You wouldn't have it to use that way Mr. Clark.

Q. You could slide along then and do all your capital work out of these rates, couldn't you? A. No.

Q. Wouldn't that be a fact? A. No, I told you awhile ago that if we made the track renewals alone out of the depreciation fund at the valuation figure which should be done, and must be done, it would take about one million four to one million five to one million six for that alone.

Q. You can take that $1,400,000 more than you have needed in the past and you can make some new track extensions, in Baltimore City, couldn't you? A. No, I am not talking about track extensions. I am talking about reconstruction in kind, such as the people today are wearing out.

Q. You don't mean to say by that that there is the condition of deferred maintenance? A. No, of course, I do not. What I am talking and trying to get to you is this, Mr. Clark, as I said a while ago, a piece of track today that costs $50,000 originally costs $100,000 today. The $100,000 should come out of the depreciation reserve. We have only been permitted to take fifty out. That immediately doubles your amount needed for track renewals.

Q. Are you serious about that? A. Serious as can be.

Q. That that $100,000 should come out of the depreciation reserve? A. Serious as can be.

Q. What authority have you for that? A. Just this, if the Commission allows us $100,000 on a certain piece of property in a valuation, and we had to replace that

and if the rule holds we can only take $50,000 out of the depreciation fund and have to capitalize 50 that then shows $150,000 for that piece of property, which tomorrow would only be valued at $100,00 which can't be done.

Q. You haven't very much company in that theory have you? A. I think I have.

Q. Now Mr. Emmons, I want to get something straight in my mind. I want to know whether I have been fair or unfair. Mr. Markell, several times, referred to I think, referred to a policy of this Company to issue preferred stock. Probably you said something about that too. Did you? A. I did.

Q. What is your policy with respect to that? A. I didn't say policy.

Q. Now, policy then, your plan? A. We said it is our desire to issue preferred stock. We have no plan at the present time.

Q. Have you thought of a plan? A. We have not thought of a plan. We are not in a position to do it. I said it is our desire to issue some preferred stock.

Q. You have worked out no plan at all? A. I have worked out no plan at all.

Q. Have you conferred with the bankers or financiers on the subject? A. I have not. We are not in position to do it.

Q. Would you undertake an issue of preferred stock without a rate increase? A. I can't say that.

Q. Can you say yes or no? A. I don't believe we could ot it.

Q. You would have to have a rate increase before you could issue preferred stock? A. You don't have to put in a rate increase to issue preferred stock, because that would not be so.

Q. You are not sure that a rate increase would give you a revenue increase? A. I am very positive that it would.

Q. You are satisfied of that? A. All these figures

which I gave you make me positive that it will. In fact all these figures of decreases in certain cities shows that with a decrease in passengers and a change in rate has given them an increase, and——

Q. I don't want all that? A. I would like to get this to you if I could.

Q. I don't want all of that? A. This is very interesting, Mr. Clark.

Q. If you haven't given it, all right, but I think you are going to read what you already read? A. I was going to read something a little later. For instance, in Cleveland.

Q. We are used to these later figures, Mr. Emmons? A. If you are satisfied it will give a rate increase, all right.

(The Chairman) You testified to that at great length in the emergency case.

(The Witness) Quite at length, Mr. Chairman.

(The Chairman) The record in that case is part of this case.

Q. Now, Mr. Emmons, you said you appreciated that you had the right all the time to a larger return but you never came in to get your rights, is that correct? A. We never looked on it that way.

Q. Do you assign any reasons for not having come in for this time, for you to get what you claim to be your rights? A. There was no valuation before, as far as that is concerned.

Q. And the only thing that brings you in now is the passenger loss for 1927? A. I said, that's what brought us here.

Q. Now, Mr. Emmons, turn to Exhibit No. 6-C again a minute? A. All right.

Q. I have modified your fair return figure in this exhibit by applying certain adjustments and I want to get some information. You say "Adjustments of gross income to fair return." "Add profit and loss operating credits $41,676.00." Explain that?

(Mr. Markell) They are the same ones that were explained in the last case. They are on the original Exhibit No. 6.

(The Witness) The purpose of these adjustments——

(Mr. Clark) Just a minute, Mr. Emmons.

(Mr. Howard) I think that was gone into very fully in the emergency hearing.

(The Chairman) While you are looking that up we will take a five minute recess.

NOTE: The Commission adjourned for the purpose of taking a short recess.

AFTER SHORT RECESS.

CROSS-EXAMINATION (Continued).

By Mr. Clark:

Q. Mr. Emmons, in explaining Ex. No. 12-A, showing the car miles and the total passengers on the short city lines and car miles and total passengers on the long city lines, showing that the short line passengers have decreased and the long line passengers have increased, you made this statement, I think in substance; that that is accounted for largely by the fact that the outlying sections of the city have developed while the inlying sections as it were have stood still?

(Mr. Howard) You are referring now to one of the emergency hearing exhibits, and to Mr. Emmons' testimonly in the emergency hearing?

(Mr. Clark) No, I heard it for the first time in this hearing.

(The Witness) Oh, no, in the emergency hearing we had the same thing, but for fear that it wasn't definitely understood, that there was a real relationship there, I just repeated it in this hearing.

Q. What line did you throw around the inlying districts? That is what section of the city did you include in the inlying district? A. That goes to all short lines

like the one reaching Druid Hill Park and going out a distance of about two miles.

Q. You mean you did not include in your statement any distance greater than two miles from the center of the city? A. I can give you the lines that were included.

Q. I have the lines here in the exhibit. A. We included those lines, some have gone a little more than two miles, some a little less, but those are the lines included.

Q. Are those the lines included by Mr. Keller in his survey and his conclusions as to long and short line riders? A. I do not know.

Q. Don't you know, Mr. Emmons, as a matter of fact there has been a larger numerically speaking house development within three miles of the City Hall than there has been between the three-mile and six-mile limit in the past few years? A. I know the records I have here show that this Central Park that we have taken as the central zone, shows in 1910 a population of 451,000, and in 1920 a population of 455,000, and in 1925 a population of 415,000.

Q. There you are taking the congested district. A. There we are taking the two-mile limit.

Q. All right. Now, Mr. Emmons, I want to know why the power costs are increasing each year. I want to estimate why you increase the power cost next year. It seems to me that the Pennsylvania Water and Power Company are trying to head off your earnings judging from the stock market and other sources of information, and it's just a little puzzling to me, that they would be putting the tariff on this poor company year after year. Now, why do you estimate increased power charges for next year and don't estimate increased car miles? A. No, but you understand this, up until February, 1926, we had the old 15-year contract with the Pennsylvania Water and Power Company which gave us a very cheap rate, consequently, it is quite natural, why you can see, why after February 7, 1926, our rate would naturally go up because of the loss of that good contract.

Q. But I am talking about 1928. A. Yes, I am trying

to come on down. Now, we get to a point where we pay for power at what it costs plus 10%, and we do the best we can in an anticipated figure, what it might cost. We are figuring in 1927, for instance, .0936 per kilowatt hour, figuring that would probably be the basis. That is based on the actual cost of producing the current by the Consolidated Gas Company, plus what they buy from the Water Power Company, all put in one pot of cost, and our proportion of kilowatt hour capacity required to the total kilowatt capacity required of the Gas Company by the customers, so if you put those two together instead of .0936 it comes to .100351 or something like that which increases the power cost $150,000. We think we see where there is $30,000 we may save and we have reduced it to $120,000. Now the slight increases that the Gas Company sees coming next year, I don't know whether it's wages or what, but it's $25,000 increase in 1928.

Q. Your demand isn't increasing. A. Our demand is not increasing.

Q. Under your plan with the power Company, is this charge to be increased each year? A. No, it just depends on whether their costs go up. If their costs go up, ours go up. It might be if their costs come down, it will come down.

Q. In other words their costs determines? A. Their costs determines.

Q. And your demand of course? A. And our demand.

Q. If your demand stands still and doesn't increase, then their cost determines? A. I know, but as the other part of their business grows it naturally reduces their cost. The Gould Street Plant is supposed to reduce their cost and they certainly are not trying to make a more costly power production just for the purpose of collecting from us, because their point is to get just as cheap a production of power as they can which they are constantly striving for.

Q. What is the increase in that power charge next year, as you estimate it? A. About $25,000 over this year. This year about $120,000 more than we have been paying.

(The Chairman) In other words, Mr. Emmons, do I understand it to be substantially a cost plus contract?

(The Witness) It is a cost plus contract.

(The Chairman) Cost plus ten per cent.?

(The Witness) Yes, with the provision that we obtain a rate as cheap as anyone else under certain circumstances.

(Mr. Howard) Hasn't it load factor provision, to it too?

(The Witness) Yes, that makes part of the cost plus.

Q. The load factor of which company, theirs or yours? A. Both companies. All put together.

Q. But it isn't increasing in yours? A. Just at the moment, I think we are about at a standstill at the present time. We may have to put on more cars. We hope to put on more service if we get more money. If we do it will cost more money.

Q. Is that cost plus under the jurisdiction of the Commission? A. They approved the contract.

Q. I know that, but I mean from year to year the computation of the cost plus does that come before the Commission for its approval and its inspection? A. I don't think they have ever desired it.

I don't think either ot us object to having them do it.

Q. Now, Mr. Emmons, I have just one question more. It's a hypothetical question with no personal reflection. If a company doing $16,000,000 business desired to reduce its business two or three per cent. a year, it could do so by reducing the character, quantity and quality of its service to the public, couldn't it? A. That was a very peculiar hypothetical question.

Q. It can be answered yes or no, can't it? A. No, I don't think so.

Q. What do you mean you don't think so? A. Do you mean to say that any company would go out deliberately and reduce their miles? Now this hypothetical question would assume that some company would go out and de-

liberately reduce their mileage in order to deliberately reduce their earnings.

Q. I simply asked whether that couldn't be done? Whether there couldn't be a reduction of the quantity, character and quality or service that would reduce the volume of business down two or three per cent. if there were a mind to do it? Now I didn't say that's your prop osition, I apologized in the beginning, but it could be done couldn't it? A. I don't think any person would be foolish enough to go about a thing that way. I think any management, however, would reduce car miles if they found passengers being reduced.

Q. The answer is yes and everybody knows it and nobody questions it? A. The answer is not yes, it would be foolish for anybody to do it.

(Mr. Clark) That's all.

CROSS-EXAMINATION (Continued).

By Mr. Toole:

Q. I would like to begin where Mr. Clark left off. You get your power from the Gas and Electric Company, don't you, Mr. Emmons? A. We do.

Q. And where do they get it from? A. They make a larger part of it themselves at the Westport and Gould Street Plants. They buy some from the Pennsylvania Water and Power Company.

Q. Do you know what portion of that power they get from the Pennsylvania Water and Power Company? A. About half.

Q. And where does the Pennsylvania Water and Power Company get it? A. They have both a water and steam plant up at McCall's Ferry.

Q. Don't some other company own that plant? A. Indeed I don't know. I thought the Pennsylvania Water and Power owned it.

(The Chairman) The Pennsylvania Water and Power Company owns it.

Q. I saw a statement in the newspaper to the contrary the other day? A. As far as I know they own it.

Q. Then all of that power that you get and on which you are basing largely a demand for ten cents, the Pennsylvania Water and Power Company makes a profit or at least endeavor to, and the Gas and Electric Company make a profit, before you get it and you pass it on to the people? A. That's true, but the Gas and Electric Company do not pay the Pennsylvania Water and Power Company any more for the power than they have to. And I know they have very serious contests as to what the amount shall be, always insisting they buy the water power cheaper than it costs them to make it themselves over at Westport.

Q. That may or may not be, but they do get it and in selling that power to you they make a profit? A. Both of them are proper profits.

Q. And I assume the Pennsylvania Water and Power Company makes at least as much if they sell their power to the Gas and Electric Company? 10%? A. I say both of them are proper profits as long as the Gas and Electric Company are buying even with the profit of the power company, power at less than they can make it themselves.

Q. Of course I buy electricity less than I can make it myself too? A. That's right. So it is a good contract for you.

Q. It would cost me more to walk to Washington than to ride on the trolley car or on the railroad, but that don't mean to say I should pay as much as it would cost me to walk to Washington. Now do you know who built the power house on the Susquehanna up there in Pennsylvania from which the power——

(The Chairman) (Interrupting) Mr. Toole, I don't see that that has a thing to do with the case. If you are asking those questions in order to build up an argument for Municipal Ownership, or state ownership or Federal Ownership, for those properties, then we will have to rule them out. They have nothing whatever to do with the case Mr. Toole.

(Mr. Toole) It has this to do with the case, if you will

let me explain. For instance, here is a company, a private company, are going to charge 30% increases or wants to. Now, surely all the frame up of their expenses has something to do with that. Now, if it can be shown that it can be done cheaper some other way, it seems to me that that thing is of getting great interest, not only to the people but to the Commission.

(The Chairman) If you can show that it can be done in some other way, other than by public ownership, that's a matter that will come before this Commission. But this Commission has nothing to do with public ownership. It can't order public ownership, it can't pass on that question at all. It must determine this case according to the law, and whether it would be interesting or not, the question at issue, is whether that Company is entitled under the law to an increase in rates under condititons surrounding the Company, but we cannot go into any questiton of public ownership.

(Mr. Toole) Sure you cannot, but at the same time, would it not be relevant as to their costs, in their pursuing an agitated method or antiquated method of carrying on their business, and I would ask in about a more up to date method of producing electricity, cheaper?

(The Chairman) If you can show that, well and good.

(Mr. Toole) That's what I want to do only in a few words.

Q. (By Mr. Toole) For instance, suppose you bought your electricity directly from the dam, wouldn't it be cheaper? If you would eliminate the 10% profit that the Gas Company makes and the 10% profit, more or less, more very likely that the Pennsylvania Water and Power Company gets out of it, wouldn't your cost be just exactly 20% per cent less? A. We couldn't do it.

Q. I say if you could? A. I know, but we couldn't. There is no if about it. Our load is not the kind that the Water Power Company would want in itself, consequently they take a customer like the Gas Company, that can take all of their power, they get from them the very best rate they can, the Gas Company making the very best contract they can, and those two people fight about

that contract, though friendly, just like enemies would do. So there is fair profit to the Water Power Company and yet a good contract to the Gas Company. Now the Water Power Company wouldn't be interested in serving us.

Q. I know they wouldn't, because that would break up the picture. A. No, it wouldn't. We wouldn't have the kind of a load they want.

Suppose there was a company up on the Susquehanna River that would sell directly to you as well as other people. Not only to you, but to others, sell indiscriminately to whoever wanted it, would not that save you 20% on the cost of power?

(Mr. Howard) You mean water generated electricity alone?

(Mr. Toole) That's all I am talking about now.

(The Witness) No person would ever tie up with a purely water power proposition, because then the cars of the city would be standing on the streets sometime.

Q. Suppose that the power you buy now, that you could buy it directly from the dam, on the Susquehanna River. Would it not save you 20% on half of your power? A. It certainly would not, because they certainly wouldn't sell it to us at that rate.

Q. I am assuming now that there was a company that would? A. You can make that kind of assumption. You can assume the Company would give it to us.

Q. I am trying to find a way whereby you can get out of your trouble. A. You can guess.

Q. If you can't eliminate 20% of half of your expense for power, that would mean an actual reduction of 10% of your expenses in power alone which is absorbed by two companies, being in between you and the source of power? A. You have to have that absorption of the two companies in order to get a rate as cheap as ours. Our load is such that if we made it ourselves, we would not get that low a rate.

Q. I don't think it would be advisable to make it your-

self. You know about the Ontario Company that sells all Ontario. Does not individual power companies and lighting companies, private and public as well, buy directly from the Ontario Company? A. Yes.

Q. Now there is an instance in point. A. I think that is maintained thru the tax rate to some extent too.

Q. Suppose you had a company like that here, private of public that would serve to all the towns——

(The Chairman) But Mr. Toole, we haven't got such a company, and there is no possibility of getting one and we are dealing with present day conditions.

(Mr. Toole) If he will say yes, that will satisfy me.

Q. (By Mr. Toole) Say yes. A. I say the supposition is an impossible one. How can I say yes?

Q. Well, I think it would Mr. Emmons. But still we will let that go for the time being. In your examination in chief I understood you to say that all the railroads were in a bad way? A. I think most of them are.

Q. Now by that you mean that the privately owned roads. You don't mean the publicly owned roads? A. The municipally owned roads are just as bad.

Q. Which ones? A. And Seattle.

Q. I have a letter from Mr. O'Shaughnessy and he tells me just the opposite? A. San Francisco? Shall I read you the latest reports?

Q. I have one here quite different. Mr. O'Shaughnessy, City Engineer, I will read it.

"October 17, 1927.

Mr. Wm. A. Toole,
2134 North Fulton Street,
Baltimore, Md.

Dear Sir:

Your letter of October 6th has been received. It gives me pleasure to mail you such data as I have available regarding our Municipal Railways.

This is a unique institution. The total bonds voted for road construction amounted to $5,500,000. $2,500,000 of this amount has been retired from the earnings. The road has expanded from its original 45 miles to 72 miles, and a reasonable valuation of it today would be $10,000,000. So the City has profited to the extent of $7,000,000 in coin by the enterprise, as well as guaranteeing the 5-cent fare. Our cars and equipment are the best in the country and the labor scale is $6.00 for 8 hours.

With kind regards,

Very truly yours,

(Signed) M. M. O'SHAUGHNESSY,

M. M. O'Shaughnessy,
City Engineer."

A. I have quite a different statement from that.

Q. Here is a very pretty picture? A. May I read this statement that was in a recent paper?

"The City of San Francisco owns and operates a very extensive street railway system. For several years it has failed to earn above other operating expenses the bookkeeping entry of taxes. This year the income of the system failed to meet the total charges against it of $55,873.00 without regard to the aforesaid theoretical taxes. This failure of the San Francisco Municipal Street Railway to meet all the charges against them is the subject of analysis in the city published by the San Francisco Bureau of Governmental Research in its issue of October 5th. This analysis shows that if the San Francisco system were privately owned it would have an expense of taxes of $327,058 added to the $55,873 deficit, this means a theoretical deficit of $382,931.00 for the year 1926-27. The San Francisco Bulletin discussing this situation mentioned that during the recent Bond Election campaign municipal street cars carried poster readings 'Patronize the Municipal Railways. Its profits are your profits.' The Bulletin says at that time it suggested that the second sentence of the statement should read its losses are your losses."

So there are the two sides.

(The Chairman)That's all very interesting but as a matter of fact neither Mr. Toole's letter nor that record have anything to do with the case at all.

Q. Where did you get that article? A. I think it was out of one of Dr. Ely's magazines.

Q. Well we know where that letter came from? A. There are always two sides to the picture Mr. Toole.

(The Chairman) And neither of them have anything to do with the case.

Q. I think we could compare a privately owned road the same as a publicly owned road and vice versa, if we can show this road is operated better or otherwise. Detroit pays its taxes, doesn't it? A. A great deal of question about Detroit. There are two sides to that too. They set taxes up but the claim is that a great deal of the expense of the Street Railway is borne by other departments. We pave the city streets. It costs us sometimes $350,000 a year.

Q. What is the fare in Detroit? Do you know that? A. Six cents, plus one cent for transfers.

Q. Some difference between six plus one and ten? A. Some difference in Detroit and Baltimore also.

(Mr. Tingley) That's also an automobile city isn't it?

(The Witness) Yes, they are making a terrible loss just now. I imagine they will be raising the rate themselves.

Q. I have a report up to the 30th of June, 1927? A. Poor's Manual has the reports for last year.

Q. I don't want to take your time reading it to you, but it has a very different story, the report I got last night.

In the exhibit I forget the number of retirements you notice for the years 1924, '25 and '26, $3,858,256.00 as retirements and also for the same period $2,858,509.00 as value added, leaving a net increase in valuation of $1,005,270.00. Do I understand you to mean that this

so-called new value is for the purpose of rate making? A. It's an increase in the valuation of the cost of the property at the present time.

Q. If so, what about depreciation? A. Depreciation is taken care of in that. Those retirements are part of the depreciation.

Q. But there is a general, outside of those retirements, a depreciation. For instance if a car comes down town, and you don't repair it there is depreciation on it, the same as if a man owns an automobile, and he goes up here to Cumberland and back, he accounts for the depreciation even tho he doesn't retire the automobile? A. In putting that in, I think we have held our 85% condition when the valuation was made.

Q. But there would be a general depreciation of every car and every track, would there not be? A. A general depreciation, but the maintenance on those cars to keep them up——

(Mr. Tingley) You mean there has been no depreciation since December 31st, 1923?

(The Witness) Above the 85%?

(Mr. Tingley) Yes.

(The Witness) I think no.

Q. Take the same articles that were valued on January 1, 1923, if they were valued now, or January 1, 1928, in those five years wouldn't there be a great falling off in the value of those articles? A. I don't think so because we maintain them. For instance take our cars. Our shop has repainted the cars. In fact the cars are better painted today than they have been for years .

Q. Some of them are prettier? A. We have been on new wheels, we have rewound armatures, put in new bearings, and fixed the cars so I would say today the cars are in better condition than they were January 1, 1924.

Q. Of course the track and road bed under the same cars are worth more money than they were January 1, 1923? A. Because we have added this capital to them.

(Mr. Howard) You overlooked the addition of brand new property?

(Mr. Toole) I am taking that into consideration.

You say taking the retirements and your additions you have a net addititon of one million and some dollars?

(Mr. Howard) But the gross addition is all new.

Q. Now, I say in my opinion, rather, I will ask you, don't you think that general depreciation outside of those noted would equal that million dollars? A. No, I do not.

Q. You would consider it wouldn't? A. No, I think it's perfectly right that the maintenance we put in the property which doesn't show here, and the depreciation we put back into the property has held our property in a proper condition.

Q. In the opening address of Mr. Markell he spoke of certain great changes that have taken place in the equipment of railways, that is the change from horse car to cable car and cable to trolley and indicated that greater changes may take place in the future. Do you anticipate changing the present equipment of your road in any way? For instance from trolley to buses? A. No, we do not anticipate that.

Q. You don't anticipate then any great changes as Mr. Markell seems to think? A. I think Mr. Markell feels just like the power situation. We have had up to date manually operated sub-stations. Now we are getting gradually as we can into automatic sub-stations as other places are. There may be a type of motor come around that would be more efficient and there may be a type of car. We will have to perhaps make some changes in track and special work to suit different conditions.

Q. But in the event of any great changes as existed in the past happening, or your being compelled to adopt them, do you think it would be fair and just for the public to favor those changes? A. As they come?

Q. No, any great change? A. If it's to the benefit of the public, I think it certainly would be fair, and that's the idea of a depreciation reserve above anything else.

To keep your property so you can give good service to the public.

Q. You think then where other people would be caught, lose the profit, that the Commission should guarantee you against losing any profit at all? A. The Commission does not guarantee it, but other people you are talking about are able to accumulate a large surplus in heydays.

Q. Do you think you ought to have a surplus big enough to take care of any change whatever? In the bus lines for instance? A. I don't think the Commission would or could guarantee anything like that.

Q. Mr. Emmons, do you attribute the falling off in passengers, or you do almost altogether to the increased use of automobiles, if I understand it right? A. I do, yes.

Q. Don't you think that an increased fare, say the ten cent fare would cause the use of more automobiles, especially in the face of the fact that an old Ford can be gotten for $50.00? A. The fellow that buys an old Ford for $50.00 will pay more than ten cents to come to town.

Q. I know but look at the fun he has? A. He may have a lot of fun, but he may break down sometime, but I think the automobile is cutting into our business and will increase no matter how much the fare it.

Q. Don't you think it might increase more if you increase the fare to ten cents? A. No, I think it will increase if the fare stays the way it is.

Q. Don't you think that three or four in a family pay ten cents car fare that they could run a $50.00 Ford cheaper, going at the same time? A. If they all go to the same place.

Q. Or taking or picking each other up as workmen do? You noted the other day, I believe that around the factories were automobiles? A. Yes.

Q. Do you know or do you not that those automobiles go by and pick up half a dozen people and take them to work? A. I think they would do that Mr. Toole, if we charged five cents, or three cents.

Q. Don't you think that would be largely increased if the the fare goes up to ten cents? A. I don't think materially so. No, sir.

Q. Don't you think that in the event of an increase to ten cents, that the people would patronize the neighborhood business centers more than they do now? For instance, if the man an wife and two children over 12 years old go down town, they have to pay ten cents each. The trip down town and back for the carfare alone would be 80c. Don't you know that old Ford could go to a neighborhood movie for that much? A. If the movie is a good one, I presume they do, and I presume they do now in spite of the car fare.

Q. But at the same time, if you add 80c on a trip down town——

(Mr. Howard) You say add 80c—The present trip costs something.

Q. Now, you pay about 60c, but 30c you would add to it? A. You would add 20c for four people.

Q. Yes. Don't you think that would—— A. Deter them from going?

Q. Yes? A. No, I don't think so.

Q. I buy my shoes clean out the other end of town. I buy them down here on East Baltimore Street very close to Exeter. Now, I pay say 15c to go down there. If I have to pay 20c that adds five more cents to the cost of shoes. Now, you apply that to everything, a family is going out to buy incidentally, if you add this increase, don't you see that there will be more tendency not to go away from those centers like say Fulton and Pennsylvania Avenues where I live, Carrollton Avenue and Baltimore Street, 36th and Roland and other points like that? A. I feel this way, if the stores in those neighborhoods have what you want you will never go down to Baltimore and Light Streets or some place like that.

Q. As a rule don't you know that down town really has a better selection, but increased car fare would tend to not give them the leeway that would allow them to get the better selection? A. I don't think that 5c on a round trip would make any result like that, Mr. Toole.

Q. All right. I do. Is it not true that people as a rule have a decided prejudice against paying high car fare? You know that? A. Do you see the dirge of the dime, Mr. Toole?

Q. For instance, when I was young I used to go down to Back River. Sometimes a lot of people stopped at Back River with a couple of dollars to spend. Before they would pay an additional nickel to go to Middle River they would spend those couple of dollars at Back River. Wasn't that so? Or don't you remember those happy days? A. No, that's beyond my time.

Q. Now, take River View. As a matter of fact do you not make one fare to River View in summer time because you know the people wouldn't pay two fares to go down there? A. They don't pay the one, Mr. Toole. The single fare to River View has added almost nothing to the traffic to River View. That is pretty near proof that the present fare doesn't count.

Q. But when the 5s cent fare was in effect they went there? A. Just because they had a nice, jolly place to go and the automobile wasn't used so much then. If you go back to those days and at that time and under those conditions they would pay 10 or 15c because they wanted to go.

Q. Why is it they wouldn't go to River View unless you had one fare to Riverview? A. I say they would go to River View with the one fare.

Q. Yes, they did? A. We reduced it from two fares to one to try to get them to go.

Q. And why is it they never went to Middle River, which is more sportier and everything else than Back River, and they would stay at Back River and spend four or five dollars to save that other nickel?

(Mr. Markell) May be they weren't sporty.

A. I don't believe 5c ever kept them from Middle River if they wanted to go.

Q. I am sure the Commission remembers those happy days and they will consider that when they make their ruling.

Now, Mr. Emmons, Mr. Clark said he begged your pardon for asking a question, but I am going to ask you one and I am not going to beg your pardon, and I know you are not going to get mad. I am far enough away from you to keep you from biting me too.

Is it not true that directly before the preliminary hearing and directly before this one there was a big cut in service? A. No. If you are trying to link up any change in service I will say to you, if you are trying to link up service with either of these hearings there is absolutely no truth in it.

Q. On the eve of these hearings the newspapers published in rather big headlines—— A. You mean the Post published it.

Q. Well, that's a pretty good newspaper. Anyhow, some of the papers did it. Didn't you cut service right before these two hearings? You said you didn't, and if you did you didn't do it on account of those hearings? A. That's my answer.

Q. You did cut it though? A. We have been making the usual cuts at this time of the year to make the schedule conform to the traffic.

Q. Now you stated in your examination in chief that on some of the lines there was a 15-minute wait? A. One goes out my place where there is a 15-minute wait.

Q. Don't you think that tends to cut service as Mr. Clark says? A. Cut riding?

Q. Yes? A. I have said I would like to be in a position to give nothing less than a 10-minute headway.

Q. I mean a man would rather walk than wait 15 minutes? A. No, because he would schedule himself to get there at that time just like he would schedule himself to get to a steam railroad station.

Q. But as a general rule don't you think they would be more apt to walk? A. No. Those long headways the people adjust themselves for those times. We have schedules for those lines and the people have those schedules in their homes so they know just when those cars leave Bedford Square, for instance.

Q. When one of the one-man cars was late they told me it was 15 minutes headway but it seemed much longer. A. Did you see whose coal wagon was holding it up that long?

Q. It was 10:00 o'clock at night so I don't think it was a coal wagon at that time.

Q. Mr. Tingley asked you if there were not a concerted movement among the railways of the country to get higher fares. What was your answer to that, Mr. Emmons? A. I said there was not that I knew of. No that isn't so, Mr. Toole.

Q. But it is a fact that, as you have stated, they are all asking or getting ready—— A. I did say there were sixteen cases pending I think at the present time and thirty-two changes in rates of fare had been made since the first of the year.

Q. Now all of this business really began in prosperous times, did it not, when everybody was working and what might be called good wages? In fact did not Mr. Markell say in his opening statement that the people were as well able to pay 10c now as they were 5c sometime back? A. Yes.

Q. Now suppose then that hard times would come, and they are coming, you admit it will be a little worse before the Presidential election, and some people, a great many people believe that it will be as bad as in Harding's administration, now suppose, as was in Mr. Harding's administration for awhile, some six or seven million are out of work or working short time, suppose that would follow, would you consider a raise to 10c justifiable? A. That isn't so just now and it isn't prospectively so.

Q. But if it were so? A. I don't see where the people out of work, while there might then be some cause of a decrease in earnings, why we shouldn't have a proper rate of fare.

Q. And if such as outlined above was the case after the 10c fare was granted, if so, and riding fell off, would the United ask for a still further advance in fare if your

revenues would fall off because of unemployment? Would you come in here and ask for more fare? A. That would depend entirely upon the conditions at the time. I couldn't answer that, Mr. Toole.

Q. Now during the days of the Iron Horse, the Fair of the Iron Horse, you say that during that period that only one day your fares increased? A. I did.

Q. Isn't it possible to be some mistake there, Mr. Emmons? A. I don't see how. We certainly didn't juggle our figures to get that result.

Q. Of course, I know you wouldn't do any such thing? A. And I know my own men wouldn't do it either.

Q. Don't you think some over-zealous employee would cause you to have been mistaken in that? A. I certainly do not.

Q. The more people you carry the heavier your light bill is? A. Power bill you mean?

Q. Yes. It's light to me and power to you. The heavier your power bill is? A. Very little.

Q. If you carry 100 people on a car does your power cost any more than if you carried one or two? A. Very slight, because the weight of the car itself, the pulling of the car itself is the big item.

Q. Then your power costs are not greater in the peak than in the dull part of the day? A. Of course they are because we have more cars on.

Q. No. More per car I mean? A. It's the peak really that makes our one item the cost. The maximum use of the facilities of the Gas Company.

Q. Well you couldn't check up on your cost of your power during the period of the Iron Horse could you? A. Oh, I don't think so.

Q. Now I am going to ask you something that I want to clear up in my own mind. When a school child buys twenty tickets for a dollar, when would that get credited to revenue? When it was bought or when the tokens were collected?

(Mr. Howard) In these exhibits as filed?

(Mr. Toole) No not the exhibits.

(The Witness) The earnings as they come in.

Q. You mean when the money is paid? A. No not when the money is paid. The collection of the tickets. Now, for instance, we have in these an adjustment Mr. Clark asked about a while ago, an adjustment on unredeemed tickets. It's the tickets that come in, that the revenue passengers put in, are taken into the daily earnings. If you would buy $10,000 worth of tickets today——

Q. That wouldn't be put in today. Only when it was collected? A. That wouldn't be put in today. Only when it is collected.

Q. That's what I thought. Now I have one more question to ask, Mr. Emmons. The rate of wages on the United are no higher than the rate of wages on other companies, are they? A. No.

Q. Of the same size as Baltimore? A. Some southern cities are higher but northern cities are less.

Q. But there are very few southern cities as big as Baltimore? A. That's true.

(The Chairman) Mr. Sobeloff, have you any questions to ask?

(Mr. Sobeloff) No, sir. I think the subject has been so fully covered that I have no questions to ask.

CROSS-EXAMINATION (Continued).

By Mr. Benson:

Q. Mr. Emmons, I think in answer to one of the questions to Mr. Toole or Mr. Clark, I don't know which, you said in taking your short haul riders you took two miles? A. Two mile limit.

Q. Approximately two miles? A. Yes.

Q. Where did you figure that from? A. They are gen-

erally taken from Charles and Baltimore. It's called the center usually.

Q. So you estimate from the center of the city? A. We call that the center of the city.

Q. I say but you do estimate from the center of the city? A. Yes.

Q. Then you don't agree with Mr. Markell that the center of the city is what he calls a fanciful and arbitrary location to measure the whole of traffic from? A. It depends on what you are using it for. Of course one center of the city would be a line drawn from four corners and it would be up at——

Q. We all know where the approximate business section is and that is where the traffic comes, isn't it? A. We use usually and the city recognizes the center, in numbering east and west, is from Charles Street, and north and south is from Baltimore, so that has been taken as the center usually.

Q. Now what percentage of your passengers that you haul approximately, I don't suppose you have the exact figures, use the center of the city as the beginning or the end of their ride in the morning and afternoon? A. It would be mere guess. I don't know but I would imagine that a very large per cent.

Q. 90 or 95%? A. I don't think that much, no. It might be 75 to 80, something like that. It's a guess. I haven't any figures about it at all.

Q. But when you were figuring your long and short hauls you did use the center? A. We did, yes.

Q. And the supposed mileage has some bearing on how far a zone should extend? A. Well, when it comes to the question of the city limits unfortunately the miles in the American city doesn't count, because here in Baltimore, with the center taken as Charles and Baltimore, that is very far from the real geographical center of the city, so to go from that center out to Overlea or out to Slade Avenue it's a very much longer distance than going directly west on the Frederick Road.

Q. Then I assume from your statement that all extensions beyond the city limits then, if there be no question of disadvantage to any locality whatever, should be the same distance beyond the city limits, is that the idea? A. That opens up the question of zones and rezoning and after having some very elaborate maps prepared with the idea of explaining the whole thing in this case we thought it was so involved we wouldn't do it.

NOTE: Previous question here re-read by reporter.

A. Theoretically, if you want to justify a mileage collection, collection by the mile like the steam railroads do, that would be true, but the situation has grown up here on this system from extensions of the city limits and slight distances over the city limits and overlapse so that there is quite a little difference in the different lines.

Q. Mr. Emmons, you are an engineer as well as president of the railroad? You are a technical man? A. I am a graduate engineer.

Q. I am going to read you a provision of the Code of Maryland with reference to discrimination which has been passed on and is similar to Codes in most states, passed on by the Supreme Court of the United States. Now I presume you know what prejudice or disadvantage to an individual or locality means, don't you? A. I should, yes.

Q. Yes, you should. Now then this provision which I have taken out of the Code word for word is that no common carrier shall make or give an undue or unreasonable preference or advantage. Now you understand what preference or advantage means? A. Yes.

(Mr. Markell) Undue preference.

Q. I will leave the word "undue" for the Court to determine? A. Yes.

Q. To any person or corporation or to any locality. Now then it goes further and it says, or subject any particular person or corporation or locality to any particular description or any particular description of traffic to any

prejudice or disadvantage in any respect whatsoever, and it doesn't use the word "undue."

Now I want to ask you if that language is to be given any interpretation whatsoever if you don't have to have some place to measure your service from, either from the center of the city or from the outlines of the city? A. Well, we of course have felt that the city limits on a 10c fare is the absolute limit that can be given because of the free transfers from one part of the city to the other that that entitles a person to. Now if because some lines go a little bit beyond the city limits, there are always two ways to equalize, work up a rate on those rather than take a rate from you if it's a question of equalization, and rather than again get in the position of having the constant pushing forward of our first fare limit we would have to ask the Commission to go back to these other places and raise the fare in those others and take from you.

Q. Mr. Emmons, if the first fare of all of your lines was not to be any larger or longer than the first fare from the center of the city to Oaklee Station—— A. It isn't a question of distance.

Q. And the second fare of all of your lines was not to be any longer than the second fare to Halethorpe, then you wouldn't need any increase would you? A. That would make a very different situation of course. I couldn't answer whether we would need more fare or not, but it would make a very different situation.

Q. Well, now if you are going to make any interpretation at all of the law where do you make it? A. Senator, I am not a lawyer.

Q. I understand you are not, but you are a technical man and you know what prejudice and disadvantage is, and you know that when you give one community a haul of six miles and want to charge them 20c for it, and you give other people a haul of seven miles and only asking the previlege of charging them 10c for it, you are giving a preference to the individuals living in that community beyond the city line where you give them a seven mile haul for 10c and try to collect 20c for a six mile haul out

of the other place? A. I think that's a matter of argument.. The only thing I can say if there is discrimination there are two ways to relieve it.

Q. I want to ask you squarely if that isn't discrimination. I am not asking whether it's undue discrimination? A. I do not think it is because of the fact that the city limits intervenes there. Now as I said to you the last time in the other case that if beyond the city limits a single fare was made to Halethorpe, it's the same distance to Towson beyond the city limits. Now if we hold that the city limits is the limit as far as the 10c rate is concerned, and this was extended to Halethorpe, what reason is there why Towson should not come in and say we should go beyond the city limits the same as the Halethorpe people? Then we get in the position we have been in every case before, of having everything taken away from us that was given us.

Q. Irrespective of Towson and Catonsville, don't you now go to Dundalk for one fare? A. We do.

Q. For one fare? A. We do.

Q. How far is it beyond the city line? A. 1.59 miles.

Q. 1.59 miles? A. Yes.

Q. I will ask you now why are the individuals residing at Dundalk entitled to 1.51 miles ride out in the county and a longer ride in the city in reference to what the individuals at Halethorpe are entitled to? A. I gave you the distance to Dundalk Junction, and the reason that the fare was extended out there was so that these converging lines would have a transfer point. The Dundalk people only got .93 miles beyond the city limits. 1.59 is to Dundalk Junction. It was put out there to get that transfer point to get back to River View Park.

Q. They not only have a direct privilege but they have a transfer privilege then out there? A. That's the reason it was put in.

Q. 1.59 miles out in the county, don't they? A. Yes.

Q. Now do you mean to say that any resident down there at Dundalk Junction hasn't got a preferential right

over the people at Arbutus and Leeds on the Halethorpe line? A. If you are going to take distances carried you might say that.

Q. Answer my question. You know what preferential rate means. A. Again I say that there is two ways, if there is a preferential rate there are two ways to correct it.

Q. I asked you whether it existed, and I insist upon an answer whether it exists or not. We will let the Chairman determine upon the method of correcting it. A. I do not think so because the city limits to my mind is the limit of the first rate and the distance to Dundalk Junction is less than the distance from the city limits to Halethorpe.

Q. How about Leeds, .4 of a mile to the city limits? A. You run to Leeds for one fare.

Q. Leeds Avenue at Oaklee Station. How about the development of Leeds? A. I don't know about the community of Leeds. I am talking about Leeds Avenue.

Q. I am talking about Maiden Choice Lane, .4 miles?

(Mr. Howard) That's not the end of the road though. You can take a point that's only a hundred yards further and say the same thing.

(Mr. Benson) Mr. Howard, you will have a chance to get to that. If you want to object to my questions you can do it, but I object to you coaching the witness.

Q. (By Mr. Benson) I asked you if you weren't giving a preference to the people at Dundalk over the people at Leeds? A. Well, if you take the people at Dundalk and the people at Leeds, you can come in further from Dundalk and go to East Pittsburgh, and you have the same distance outside of the city limits as you have at Leeds, and I can't see that at all, because as I say you can take the very limit of this first fare zone on one line and the first half mile of the fare zone on your line and you can say there is a so-called preferential there, but you can't adjust to every half mile or every quarter mile.

Q. Then your position is that neither the city line nor

the center of the city should be the measure of the distance so as not to have a preference or advantage to one community over another? A. No, I didn't say that. I said we usually use the center of the city for measurement purposes, but I would never say that that was the real place to use for preferential purposes. I have said that we use the city limits for the limits of the city fare and beyond that I have also said that if because you have a second fare out to Halethorpe——

Q. Now you say you use the city limits. How many places do you use the city limits as the limit for the city fare? A. Nearly all around the city.

Q. Do you use it at Slade Avenue? A. Yes, sir, absolutely.

Q. As a matter of fact, isn't it .4 miles beyond the city limits at Slade Avenue? A. My recollection is that Slade Avenue Station is within 50 ft. of the city line boundary on Park Heights Avenue, and that is the end of our zone limit.

Q. Won't you measure it again and find out, because I measured it this morning on a county map and it's between 1,800 to 2,000 ft. A. Did you measure along Slade Avenue or Park Heights Avenue?

Q. Along Park Heights Avenue. Everybody knows the difference between Seven Mile Lane and Slade Avenue? A. Seven Mile Lane is not the end of the city limits. It is in front of the Suburban Country Club entrance.

Q. The city line goes right through Mr. Wolf's house then? A. I don't know where it goes, but I know the marker of the city line is beyond that.

Q. Then I am wrong about coming through Seven Mile Lane at that point?

(The Chairman) I think you are, Senator.

Q. I beg your pardon about that. You don't extend then beyond the city at all there? A. No, I think we are very close to the city line.

Q. Well now, if you treated the people at Pikesville

as well as you treat the people at Dundalk you would carry them then on one fare when you are using the city line as—— A. I say there is a situation that required that Dundalk arrangement.

Q. What was the situation? A. The meeting of those two lines that would make it unnecessary for the people in Dundalk to come clear up to 15th Street to come back to River View Park.

Q. What was the situation that required you to take over more than two miles of road that wasn't paying and go out into the county about half a mile to a mile to Lorraine Cemetery? A. You have the reason right next door to you.

Q. Well you gave them a preference then, didn't you? A. No, I don't think so. As I said before if he has a preference there are two ways to correct it. One is to put the fare back on them.

Q. I ask you first whether it's a preference or not over Halethorpe in that community? A. No. Lorraine they are carried perhaps half a mile beyond the city limits.

Q. Harford Road at Taylor Avenue, how far are they carried beyond the city limits? A. Harford Road and Taylor Avenue are very close to the city limits.

Q. Across the line though isn't it? A. Very little.

Q. Now, Mr. Emmons, if you were to use the short yardstick that you are using on the Halethorpe line as the measure of your service and the value of your service, 4⅜ miles on the first zone to the center of the city and a mile and ⅞ on the second zone, on the No. 14 line there should be three fares to the Harford Road instead of two, shouldn't there? A. I haven't checked that up but that may be so.

Q. And on No. 23 line there would be three fares to Mace Avenue, wouldn't it? A. That may be so.

Q. And on No. 8 line there would be three fares to Catonsville Junction? A. I say I haven't measured it up, but that may be so.

Q. And on No. 15 line there would be two fares to Overlea, wouldn't there? A. That may be so.

Q. And on No. 35 line there would be two fares to Lorraine Cemetery, wouldn't there? A. Very likely.

Q. Can't you say yes to one of them? A. No, because I haven't measured them. I think you are right.

Q. Don't you know I am right to Lorraine Cemetery? Don't you know Lorraine Cemetery is further out than Halethorpe? A. I don't know that it is. I am not sure.

Q. Will you look and find out? A. On this map it looks like it might be quarter of a mile farther.

Q. Yes, and you ride out there for one fare where you charge Halethorpe two. Now No. 28 to Lakeside there would have to be two fares, wouldn't there? A. On the same measurement, yes.

Q. Now let me ask you something about Lakeside. Why does Lakeside get the preference of the haul out into the county without any additional fare? A. Lakeside is only about one-third of a mile beyond the city limits.

Q. Well why does it get that one-third of a mile? A. The Commission have ordered the extension to the end of the Lakeside line.

Q. All these extensions were ordered? A. Ordered by the Commission.

Q. Except Lorraine Cemetery? A. That also was ordered by the Commission or the fare was set by the Commission. That was agreed upon when we took it over.

(Mr. Benson) I wish to offer in this hearing the record in Case No. 2587, in the matter of the application of the Lorraine Electric Railway Company of Baltimore, Maryland, and the Maryland Electric Railways Company and United Railways and Electric Compan.y

Q. (By Mr. Benson) Now then Sparrows Point there would have to be four fares to Sparrows Point on the same basis, wouldn't there? A. I will have to answer

the same way. I haven't measured it. It looks like it might be so.

Q. Carney, No. 19 line, there would have to be three fares, wouldn't there? A. That may be so.

Q. No. 32 there would have to be two fares to Woodlawn, wouldn't there? A. That may be so. It's about like Lorraine.

Q. And No. 5 there would have to be five fares to Turnpike, wouldn't there? A. That may be so. I haven't measured it.

Q. Now, let me ask you where that Turnpike Station is? A. It's out on the Reisterstown Road. You mean the distance of it?

Q. Where is it?

(The Chairman) In the neighborhood of Owings Mills.

Q. It's right where the Greenspring Valley Railroad crosses the pike out there? A. Yes.

Q. Right out the Greenspring Valley? A. Yes.

Q. For two fares? A. That's the limit of the second fare zone, yes.

Q. Now, if those people up in Greenspring Valley get a haul to Baltimore for two fares what's the idea that they should have that great haul for two fares and the Halethorpe community have to pay the same price? A. You have gone just the limit the that second fare.

Q. Well, Halethorpe is the limit too? A. The people at Pikesville also have to pay two fares and that's quite a distance in from Turnpike.

Q. But quite a distance beyond Halethorpe, isn't it? A. Yes, that's so.

Q. Now isn't it fair, where you are extending out into the county, in some directions like Woodlawn, like Dundalk, more or less distances, Taylor Avenue, Lakeside and these other locations, isn't it fair that you should take the distance of the haul from the center of the city

rather than the distance beyond the city line? A. No, I do not think so, Senator.

Q. Now what have you got against us out in Baltimore County? A. I haven't a thing against you but I do want to say this——

Q. Isn't it cheaper to run out in the county than it is in the city? A. As far as cheapness is concerned——

Q. Less tax, isn't it? A. We have for eight years operated a line out to Halethorpe to develop property at a red figure every year.

Q. Eight years only? A. I have got figures for eight years here.

Q. Well, you voluntarily started in on Woodlawn, didn't you, just the other day? A. Woodlawn has been one fare for a long time.

Q. Lorraine? You voluntarily did that? A. It's a slight distance beyond the city limits.

Q. Now Mr. Emmons, isn't it a fact, don't you believe it's a fact that if good service had been given to Halethorpe twenty years ago that you gave to other communities, and the same rate, that Halethorpe would have been just as densely populated as those communities? A. I have never heard of any actual complaint of service out there.

Q. You never heard of the one-man cars? A. Surely we have, and we did that to try to reduce this loss of $12,000 in a year.

Q. You never heard of the fact that we always had a transfer up until this re-zoning matter? A. We did that also to try to reduce these losses.

Q. I am glad you did because it's a good thing for the community. But isn't it a fact, and don't you know it's a fact that where you give one community a single fare and another community the same distance from the center of the city a better fare that that single fare community has, as a matter of fact, always grown up faster? A. No, I think there are a lot of single fare districts that haven't grown up as fast as that.

Q. Where? A. Lakeside hasn't grown very fast since the single fare out there. Woodlawn hasn't grown very fast since the single fare out there. Lorraine hasn't grown very fast.

Q. How long have they had it? A. Woodlawn has had it for several years.

Q. You mean that isn't a developed section out at Woodlawn? A. Not at Woodlawn. There is around Gwynn Oak Park.

Q. Practically the same location, aren't they? A. About a mile apart or a half a mile.

Q. Over a period of twenty years, don't you know that the developments along the Harford Road and Belair Road before annexation, when you went out in that section before annexation where you still go now, practically I believe there has been a little extension to Taylor Avenue on the Harford Road line, but that country at that time was the same trucking section when the Railway Company went out there and gave a single fare when Halethorpe was a trucking section? A. That may be so, I don't know.

Q. And that it's all built up now along the Philadelphia Road? A. No, there is quite a lot of vacant property out there.

Q. Of course you can't build up every foot.

(The Chairman) How long will you be, Senator?

(Mr. Benson) It all depends on the witness.

(The Witness) I will try to finish with you, Senator, because it looks to me the questions of facts is before the Commission, the question of discrimination is a question that the lawyers will argue with you, and all I can say is there are two ways to stop that discrimination if there is such.

Q. Mr. Emmons, I think we can get along very much easier if you will answer what seems to me to be the obvious question. You have made the statement that 75% of the public are using your railway? A. Yes, sir.

Q. Now if that is so isn't it essential to the development of any suburban section that it have as good facilities to be able to sell at competitive times such as this as the other people have who are in competition with them and under similar circumstances and distances? A. Well, the answer to that would be yes with the qualification that you can go out Edmondson Avenue and Frederick Road in the second fare zones and you see developments out there.

Q. Yes, you see them out Halethorpe, don't you? A. Yes.

Q. What do you think is going to be the effect on Halethorpe if you make a 20c fare out there? A. No worse than the effect on these other roads.

(Examination suspended.)

NOTE: The Commission then adjourned for the purpose of taking a recess.